



Town of Webster



Finance Committee Report

MAY 8, 2023



Finance Committee Report

Article 6 – Finances and Fiscal Procedures of the Charter of the Town of Webster provides a road map for the fiscal year budget and capital improvements program processes and Chapter 110 - Finance Committee of the Town By-Laws, provides direction to the Finance Committee for their role throughout these processes. The Finance Committee works with Town Management and provides oversight for fair and comprehensive annual budgets and capital improvements program. The Finance Committee met several times during the past fiscal year beginning with a discussion of goals and review of the October town meeting warrants. Committee members also served on projects and committees.

During fiscal year 2023, the Finance Committee and Town Management aligned certain financial goals and objectives with those of the Board of Selectmen such as preparing a 5 year revenue and expenditure budget projection and improve capital planning. The following is a summary of goals and other achievements of the past year:

- In November 2022, 5 year revenue and expenditure projections for the general, sewer and water funds were prepared and submitted to S&P Global Credit Ratings as part of the Town's credit rating process. Management plans to update and improve the 5-year projection model over the coming months.
- Town Management much made progress during fiscal 2023 on the Capital Improvements Program (CIP) for fiscal 2024. The FY24 CIP provides a brief introduction and executive summary which is followed by Section I which provides matrixes summarizing capital item requests, year to implement requests and proposed funding sources. Section II provides more explanation about the capital requests and Section III provides information about the policies and process.
- As demonstrated in the schedules at the end of this report, the Town has generally improved its financial reserves and provides a plan to fund capital requests and maintain its reserves.
- In December 2022, S&P Global Credit Ratings assigned the Town an “AA” credit rating. This is generally acknowledged as a 2 step increase from the prior Moody’s Investor Service “A1” credit rating.

During the April 11, 2023 meeting the Finance Committee voted warrant articles for the Special and Annual Town Meetings as summarized in the following tables:

Special Town Meeting Warrant:	Article Numbers
Articles voted to recommend	1 through 17

Annual Town Meeting Warrant:	Article Numbers
Articles voted to recommend	1 through 8 and 10
Articles voted to refer to sponsor	9 and 11 through 18

The following report provides summaries of Finance Committee meeting discussions which may provide you with additional perspective for your own considerations.

On Tuesday, March 7, 2023 the Finance Committee meeting included a review and discussion of the fiscal year (FY) 2024 budgets including the Town Administrator's recommendations. Questions and discussion focused on the general fund's FY24 budget. It was noted, during the meeting, that Town and School System management were in agreement with allocations between Town, School and Shared Costs.

Most general fund questions and discussion involved personnel changes for 3 departments and increased pay (rates) for certain personnel, resulting from the Wage and Classification Study completed by the Collins Center and other market comparisons. For FY24 recommended personnel changes include the IT department increasing from 1.5 full time equivalents (FTE's) to 2 FTE's; the conservation agent increasing from .5 to 1 FTE and fire department is continuing its transition from part-time staffing to full-time staffing. The Fire Department is moving the salaries of the on-call positions to fund four full-time positions. This is an approximate increase \$80,000.00. During FY24 the Fire Department will continue its transition from primarily part-time/call personnel to full-time with personnel supported with part-time/call personnel.

The Town Administrator Rick LaFond also included in the FY24 budgets salary and wage reserves to be allocated to salary and wage appropriations upon completion of various union negotiations. Additional discussion included unemployment costs and there few inquiries of sewer and water fund FY24 budgets.

During the Finance Committee meeting on Tuesday, March 14, 2023, the Finance Committee opened its public hearing with Town management and Finance Committee members in attendance. Discussion began with talk of new growth estimate and state aid. FY24 is the second year of increased state aid from Chapter 70 (school state aid) formula changes which helped balance the Town's general fund budget.

Generally, the Town/School System split revenue after shared costs 30/70 except for cannabis excise receipts allocated to fund 7 firefighter wages as their grant will expire October 31, 2023. Repayment of Bartlett renovation bonds will begin in FY24 with increases expected for the February and May 2024 tax bills. Discussion ensued following up from the March 7, 2023 meeting regarding pay increases. The Finance Committee deferred action on the budgets as they wanted to hear from School management about FY24 budget request.

The Finance Committee continued their review of the FY24 budgets on Tuesday, April 11, 2023, meeting with the newly appointed Superintendent of Schools Monique Pierangeli to review the School System's budget. Mrs. Pierangeli began with a talk of instructional priorities for FY24 and provided a summary of budget goals. She also explained about position changes and changes to funding sources for certain positions. During the COVID-19 pandemic certain positions were funded from grants and funding for some of those positions are transitioning back to the budget. The discussion was fluid with Committee Members making inquiries and Mrs. Pierangeli providing responses throughout the discussion.

As the FY24 Water, Sewer and General Fund (Town Departments) were discussed in prior meetings, discussion of those budgets was brief. After a short Town Administrator's report, the Committee turned its attention to Special Town Meeting Articles. There was quick discussion of articles 1 through 3 funding/approving prior year bills for the General, Sewer and Water funds.

Prompted by Committee questions about the snow & ice deficit request, the Town Administrator, Rick LaFond, and Tim Bell, Finance Director explained that laws regarding snow and ice appropriation and funding deficits limits flexibility with modifying snow and ice appropriation annually. As such, snow and ice appropriation tends to remain the same for long periods. Town management has and will consider a reasonable increase when funds are available. Then there was some discussion regarding the transfer of Park Ave construction funds to the Bartlett High School Renovation project.

The Committee began discussion of capital articles with the Committee and the Town Administrator. In addition, a few department heads provided additional information. Greg Robert, IT Director indicated that the core network equipment for the Police Station has exceeded its lifespan. The unified storage back-up will require ongoing licensing software costs. This system will act as a back-up for the Police Department data. Police Chief Michael Shaw spoke about the police vehicle fleet and patrol vehicles are normally in service 24/7 and are replaced every 3 years. Annually, 2 police cruisers are being funded out of the regular budget and one is being funded through the Capital Improvement Plan. Other vehicles are kept in service for 5 to 10 years depending on use and condition.

Ken Pizzetti, Highway Superintendent spoke about highway department requests, including the need to replace an industrial class/detachable snow blower which is 47 years old. Fire Chief Brian Hickey reported the Rescue Truck is a different model than they currently have. This will add another frontline vehicle to their fleet. The current truck is 27 years old. The new vehicle should last the town 25 years. It is currently taking between 1 ½ to 2 ½ years for vehicles to come in from the date they are ordered.

The Town Administrator reported the nuisance property located at 124R High Street needs to be removed due to health and safety concerns. This property is not owned by the town. It is privately owned, and the property does not have enough value to recoup the money to demolish it. The Finance Director added that property owner is current on their property taxes and that the Town intends to lien the property for the demolition costs.

Tom Cutler, Sewer and Water Superintendent spoke about requests funded from certified retained earnings of the sewer and water funds. In addition, he explain the need for additional funding of \$900,000 for waste water treatment plant aeration system phase I and that \$400,000 will be re-appropriated from other funding and \$500,000 from borrowing. He also spoke about the sewer collection system rehabilitation projected requested.

Most discussion with the Sewer and Water Superintendent was focused on the PFAS (polyfluoroalkyl substances) water treatment plants. The total cost for the PFAS system is 33 million dollars. The town is eligible for a 0% interest loan. The total amount of the project needs to be approved at Town Meeting. The town is eligible for a minimum of 19.8% funding by the State. The Water Sewer Commission and Thomas Cutler have worked very hard on being the leaders for this project. Other towns are in similar situations. The State has been very happy with the Town's aggressive approach to PFAS. Before the Sewer and Water Superintendent concluded, there was brief discussion about fiscal year 2023 Sewer Fund appropriation deficits.

Prior to voting on Special Town Meeting Warrant Articles there was discussion of transferring \$1,000,000 to the Stabilization Fund. The Finance Director reported if all free cash authorizations are approved, including to the Stabilization Fund, the Town would maintain a free cash balance over \$1.1 million which is almost 2% of the FY24 budget and within the goal range of 1 to 5%. The Finance Director reported transfer will result with the Stabilization Fund exceeding its 5% of FY24 budget goal by \$2.7 million and explained why Town management is recommending the increase. (Please see Schedule of Projected Stabilization Fund Balance in the following pages.)

After the Committee voted on Special Town Meeting Warrant articles previously summarized on page 2, the Committee proceeded to discuss Annual Town Meeting Warrant articles. Little discussion was held on articles 1 through 7 as they are routine for each May Town Meeting and FY24 budgets were previously discussed. As the Committee began reviewing the remaining articles, discussion between Committee Members and the Town Administrator began to focus on the Committee's role with the articles. After discussion was completed the Committee voted on Annual Town Meeting Warrant articles as summarized on page 2.

The Finance Committee then held brief discussion of Capital Improvements Program with no changes recommended. The Committee next considered a draft Finance Committee Report. At the request of the Finance Director, the Committee authorized one Committee Member to work with the Finance Director to complete the Finance Committee Report so it could be available prior the Town Meetings.

Prior to adjournment, the Finance Committee scheduled to meet at 6:00 pm May 8, 2023, prior to the Town Meetings. Should there be any significant discussions during that meeting, the Finance Committee will provide a verbal update during the appropriate Town Meeting(s).

In addition, the Finance Committee provides schedule listed below on the following pages:

- Schedule of Available and Remaining Free Cash, May 8, 2023
- Schedule of Projected Stabilization Fund Balance, May 8, 2023
- Schedule of Available and Remaining Sewer Retained Earnings, May 8, 2023
- Schedule of Available and Remaining Water Retained Earnings, May 8, 2023
- Schedule of Short and Long Term Debt for the year ended June 30, 2022

TOWN OF WEBSTER, MASSACHUSETTS
SCHEDULE OF AVAILABLE AND REMAINING FREE CASH
MAY 8, 2023

Free Cash - Remaining unrestricted funds from operations of previous fiscal year(s)

General Fund Free Cash, certified as of July 1, 2022: **\$ 3,626,743.00**

Special Town Meeting:

Article 4	Fiscal Year 2023 Snow and Ice Deficit	\$ 130,000.00	\$ 130,000.00
Article 6	Town Hall entrance improvements: engineering, etc.	46,000.00	
Article 6	Inventory of Town buildings/structures and their respective systems	50,000.00	
Article 6	25 computers to replace obsolete computers	42,000.00	
Article 6	Police dept. speed trailer	25,000.00	
Article 6	Police dept. unified storage, server & backup disaster recovery solution	190,000.00	
Article 6	Core Network Server Replacement	82,000.00	
Article 6	Police department camera server replacement	40,000.00	
Article 6	Police department vehicle	55,000.00	
Article 6	Radio system upgrade - phase 2	90,000.00	
Article 6	Fire department camera system upgrade	20,000.00	
Article 6	Super duty dump truck	82,000.00	
Article 6	Industrial class detachable snow blower	205,000.00	
Article 6	Webster Middle School window replacement	100,000.00	
Article 6	Transfer Station Engineering Services	43,300.00	1,070,300.00
Article 11	Nuisance property asbestos abatement	250,000.00	250,000.00
Article 12	Stabilization Fund	1,000,000.00	1,000,000.00
Total special town meeting articles			2,450,300.00
Total proposed use of Free Cash			2,450,300.00
Projected remaining Free Cash, if all articles are approved			\$ 1,176,443.00

Free Cash Balance Policy:

The Town will set a year-to-year goal of maintaining its Free Cash in the range of 1% to 5% of the annual budget.

Estimated General Fund fiscal year 2024 budget **\$ 60,237,021.00**

Goal Percentage	Maintain Goal Balance	Over (Under) Goal Balance
1%	\$ 602,370.21	\$ 574,072.79
2%	1,204,740.42	(28,297.42)
3%	1,807,110.63	(630,667.63)
4%	2,409,480.84	(1,233,037.84)
5%	3,011,851.05	(1,835,408.05)

Finance Director Comments:

Please see next schedule for comments related to Stabilization Fund.

TOWN OF WEBSTER, MASSACHUSETTS
SCHEDULE OF PROJECTED STABILIZATION FUND BALANCE
MAY 8, 2023

Stabilization Fund balance as of July 1, 2022: **\$ 4,833,520.00**

Fiscal Year 2023 Activity:

Special Town Meeting 10/17/22:

Article 8 Human resource review funding	\$ (25,000.00)
Article 9 Police & Fire stations and Town Hall door security system replacement	\$ (150,000.00)
Total special town meeting articles	<u>(175,000.00)</u>
Reverse 6/30 market value adjustment	28,951.00
Recorded interest income through December 2022	27,922.00
Estimated interest for quartering ended March 2023	12,000.00
Investment earnings, net of market value adjustment	<u>68,873.00</u>

Estimated balance as of May 8, 2023 **4,727,393.00**

Recommended transfers for May 8, 2023 town meeting:

Special Town Meeting 5/8/23:

Article 12 Stabilization Fund	<u>1,000,000.00</u>
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Projected Stabilization Fund balance, if all articles are approved **\$ 5,727,393.00**

Stabilization Fund Balance Policy:

The Town will endeavor to maintain a minimum of 5% of the annual budget.

Estimated General Fund fiscal year 2024 budget	\$ 60,237,021.00		
Goal %	Maintain Goal Balance	Over (Under) Goal Balance	
5%	3,011,851.00	\$ 2,715,542.00	

Finance Director Comments:

Reasons to continue funding the Stabilization Fund are as follows:

1. The Board of Selectmen goals include inventorying Town wide buildings, facilities, and structures including their respective component systems. Town management believes this inventory process will identify additional capital requests.
2. Town management wants to build up reserves in anticipation of future years where funding needs will exceed available sources to replenish the fund.
3. When combining free cash and Stabilization Fund financial reserve goal range of 6 to 10 percent of FY24 budget, the combined reserves of 11.3% of the FY24 budget are slightly higher than the goal range.
4. During fiscal year 2023 the Town's credit rating improved to AA per S&P Global Ratings. Maintaining healthy financial reserves will help with maintaining the Town's credit rate.

TOWN OF WEBSTER, MASSACHUSETTS

SCHEDULE OF AVAILABLE AND REMAINING SEWER RETAINED EARNINGS

MAY 8, 2023

Retained Earnings - Remaining unrestricted funds from operations of previous fiscal year(s)

Sewer Fund Retained Earnings, certified as of July 1, 2022: \$ 2,086,662.00

Special Town Meeting:

Article 7	Actiflow polymer pump replacement	\$ 20,000.00
Article 7	Portable generator - collections	75,000.00
Article 7	Actiflow generator wiring & transfer switch	40,000.00
Article 7	1/2 cost of 2024 backhoe & loader	110,000.00
Article 7	Evaluate Dudley pump station flow equalization pump	40,000.00
Article 7	Rebuild pumps 1 & 2 Millbrook pump station (PS)	44,000.00
Article 7	Replace pneumatic ejectors with submersible pumps -	
	Narrows pump station	75,000.00
Article 7	Replace 2011 Ford 4X4 utility truck	96,000.00
Article 7	Polymer pump replacement	15,000.00
Article 7	Thompson 1 pump station VFD replacement	25,000.00
Article 7	Thompson Rd. pump station wet well rehab	90,000.00
Article 7	Twister agitator mixer Beach, Pebble & Lake PS	45,000.00
Article 7	Twister agitator mixer Dudley wet well	15,000.00
Article 7	Parking lot repairs	<u>35,000.00</u> <u>725,000.00</u>
Article 17	Appropriation for FY23 Sewer deficits	<u>288,000.00</u> <u>288,000.00</u>
	Total special town meeting articles	<u><u>1,013,000.00</u></u>

Total proposed use of Retained Earnings 1,013,000.00

Projected remaining Certified Retained Earnings, if all articles are approved \$ 1,073,662.00

Free Cash Balance Policy:

The Town will endeavor to maintain a reserve amount at 20% of the annual total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvement are necessary.

Estimated Sewer Fund fiscal year 2024 budget \$ 4,102,251.00

Goal Percentage	Maintain Goal Balance	Over (Under) Goal Balance
20%	\$ 820,450.20	\$ 253,211.80

Finance Director Comments:

1. The Board of Selectmen goals include inventorying Town wide buildings, facilities, and structures including their respective component systems. Town management believes this inventory process will identify additional capital requests.
2. Town management wants to build up reserves in anticipation of future years where funding needs will exceed available sources to replenish the fund.
3. During fiscal year 2023 the Town's credit rating improved to AA per S&P Global Ratings. Maintaining healthy financial reserves will help with maintaining the Town's credit rate.

TOWN OF WEBSTER, MASSACHUSETTS**SCHEDULE OF AVAILABLE AND REMAINING WATER RETAINED EARNINGS****MAY 8, 2023****Retained Earnings - Remaining unrestricted funds from operations of previous fiscal year(s)**Water Fund Retained Earnings, certified as of July 1, 2022: \$ 1,578,681.00**Special Town Meeting:**

Article 8 Demolish Clearwell at Station 1	\$ 80,000.00
Article 8 Park Road storage tank fence repair/replacement	10,000.00
Article 8 Park Road storage tank exterior cleaning	12,000.00
Article 8 Sutton Road booster station repairs	46,000.00
Article 8 Towable air compressor replacement	40,000.00
Article 8 1/2 cost of 2024 backhoe & loader	110,000.00
Article 8 Paint water garage blue building	12,000.00
Article 8 Annual well rehabilitation stations 1, 2 & 3	40,000.00
Article 8 Water main design	<u>150,000.00</u> <u>500,000.00</u>

Total special town meeting articles 500,000.00Total proposed use of Retained Earnings 500,000.00**Projected remaining Certified Retained Earnings, if all articles are approved** \$ 1,078,681.00**Free Cash Balance Policy:**

The Town will endeavor to maintain a reserve amount at 20% of the annual total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvement are necessary.

Estimated Water Fund fiscal year 2024 budget \$ 3,628,826.00

Goal Percentage	Maintain Goal Balance	Over (Under) Goal Balance
20%	\$ 725,765.20	\$ 352,915.80

Finance Director Comments:

1. The Board of Selectmen goals include inventorying Town wide buildings, facilities, and structures including their respective component systems. Town management believes this inventory process will identify additional capital requests.
2. Town management wants to build up reserves in anticipation of future years where funding needs will exceed available sources to replenish the fund.
3. During fiscal year 2023 the Town's credit rating improved to AA per S&P Global Ratings. Maintaining healthy financial reserves will help with maintaining the Town's credit rate.

TOWN OF WEBSTER, MASSACHUSETTS
SCHEDULE OF SHORT AND LONG TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2022

	Balance July 1, 2021	FY 2022 Increase	FY 2022 Decrease	Balance June 30, 2022
SHORT TERM DEBT				
BANS - Bond Anticipation				
Town Hall Roof Replacement	\$ 550,000.00	\$ 30,500.00	\$ -	\$ 580,500.00
Bartlett High School Building Feasibility Study	892,502.00	-	(559,558.00)	332,944.00
Lincoln, Whitcomb, Nelson St. Water Mains	<u>2,100,000.00</u>	<u>-</u>	<u>-</u>	<u>2,100,000.00</u>
Total Short Term Debt	<u>\$ 3,542,502.00</u>	<u>\$ 30,500.00</u>	<u>\$ (559,558.00)</u>	<u>\$ 3,013,444.00</u>
LONG TERM DEBT				
Inside the Debt Limit				
Buildings	\$ 9,720,000.00	\$ -	\$ (695,000.00)	\$ 9,025,000.00
Departmental equipment	1,100,800.00	-	(278,052.00)	822,748.00
School buildings	2,742,000.00	-	(322,000.00)	2,420,000.00
School other	-	-	-	-
Sewer	<u>8,501,129.00</u>	<u>-</u>	<u>(702,604.00)</u>	<u>7,798,525.00</u>
Total Inside Debt Limit	22,063,929.00	-	(1,997,656.00)	20,066,273.00
Outside the Debt Limit				
School Buildings	10,140,000.00	-	(710,000.00)	9,430,000.00
Water	<u>13,755,380.00</u>	<u>-</u>	<u>(896,036.00)</u>	<u>12,859,344.00</u>
Total Outside Debt Limit	<u>23,895,380.00</u>	<u>-</u>	<u>(1,606,036.00)</u>	<u>22,289,344.00</u>
Total Long Term Debt	<u>\$ 45,959,309.00</u>	<u>\$ -</u>	<u>\$ (3,603,692.00)</u>	<u>\$ 42,355,617.00</u>