



Town of Nantucket Finance Committee

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Committee Members: Denice Kronau (Chair), Stephen Maury (Vice-chair), Joseph T. Grause Jr., Peter McEachern, Joanna Roche, Peter Schaeffer, Chris Glowacki, Jill Vieth, George Harrington

MINUTES

Thursday, January 28, 2021

*This meeting was held via remote participation using ZOOM and YouTube,
Pursuant to Governor Baker's March 12, 2020 Order Regarding Open Meeting Law*

Called to order at 4:00 p.m. and announcements made by Ms. Kronau

- Staff in attendance: Libby Gibson, Town Manager; Gregg Tivnan, Assistant Town Manager; Rachel Day, Assistant Town Manager; Brian Turbitt, Director of Finance; Terry Norton, Town Minutes Taker
- Attending Members: Kronau, Maury, Grause, McEachern, Roche, Schaeffer, Glowacki, Vieth, Harrington
- Early Departures: Roche
- Documents used: January 11, 14, & 19, 2021 draft minutes; FY2022 General Fund Budget Recommendations; Capital Projects for 2020 Annual Town Meeting.

Agenda adopted by unanimous consent.

Motion **Motion to Approve.** (made by: Harrington) (seconded)

Roll-call Vote Carried unanimously//Harrington, Schaeffer, McEachern, Roche, Vieth, Grause, Glowacki, Maury, and Kronau-aye

I. PUBLIC COMMENT

1. None

II. APPROVAL OF PRIOR MEETING MINUTES

1. January 11, 2021
2. January 14, 2021
3. January 19, 2021

Motion **Motion to Approve.** (made by: Maury) (seconded)

Roll-call Vote Carried unanimously//Harrington, Schaeffer, McEachern, Roche, Vieth, Glowacki, Grause, Maury, and Kronau-aye

III. COMMITTEE REPORTS

1. None

IV. REVIEW AND DISCUSSION OF PROPOSED FY2022 GENERAL FUND BUDGET RECOMMENDATIONS

Discussion **Gibson** – Reviewed budget goals. Trying to maintain flexibility with free cash and levy limit. Reviewed initiatives under way; exploring “merger” of Parks and Rec and Community School for the recreational component; there are legal issues to examine and move through. Looking to relocated Natural Resources and Health Department to the old Fire Station at least temporarily. Have hired a Diversity, Equity, Inclusion (DEI) director, who starts next week. Reviewed actions to reduce expenses and increase transparency and efficiency.

Turbitt – Gave an overview of the FY2022 General Fund budget revenue and expenses. We typically try to leave a bit of unused levy capacity since we don't have all the information. Compared FY2022 budget to FY2021 budget: revenue - we can raise rooms and meal tax; increased revenue from building permits; expenses. Most revenue, 86%, comes from property taxes. Broke down expense categories: total operation expenses \$8.8m; school expenses \$5.56m.

Break out health insurance between active and retirees: active \$10.5m 7.06% increase, retire \$3.79m 7.06% increase. General insurance is \$3.1m 18.0% increase. Reviewed special appropriations: Health and Human Services, County assessment, Reserve Fund, Unpaid Bills, Other Post-Employment Benefits (OPEB), Overly and other deficits, Cherry Sheet Charges, Community School, and Minimum Cap Funding Requirements with a total of \$110.74m. Town Expense increase requires; recommend \$3.098m of the requests.

Gibson – Provided an overview of Expense Increase Requests based upon whether or not it is a legal mandate, a staff recommendation, and/or if it increases efficiency. Proposing 9 new positions, 3 carried over from FY2021, 3 are seasonal officers and additional lifeguards and beach staff. Recommend \$200,000 for housing due to COVID restrictions. Funded transitional housing for departmental heads as needed.

Turbitt – Funding sources are tax levy, free cash, capital exclusion, special revenue funds and borrowing to total \$3.098m. Preliminary free cash recommendations: Free Cash is certified at \$9.66m. We need to have a funding source for \$3.5m for Our Island Home (OIH) if the \$5m override does not pass at the ballot.

Gibson – Reviewed outstanding items and current unknowns. Appropriated \$150,000 for a concept study of Harbor Place project; this has not progressed because of COVID. The potential cost of Citizen Warrant Articles is not included. Steamship Authority (SSA) deficit could remain a concern for FY2022, though reservations are way up. Nantucket Regional Transit Authority (NRTA) has a deficit, it might be covered by other means. PFAS costs are largely unknown; we are finalizing the town-wide risk assessment. Most likely will increase projections from short-term rental revenue; we still have not seen one-full year of normal short-term rentals so are being conservative. New growth “Bubble Burst” is in anticipation in a decrease in growth. Determined an Airport deficit due to COVID is unlikely. The Police Reform Bill is laudable but has training costs and other costs. Affordable Housing Trust Fund (AHTF) put forward a proposal for \$475,000 in General Fund money to cover the following: cost assistant, marketing, professional services, legal expenses, and other costs; Town Administration will probably recommend from an increase in the short-term rental projection.

Turbitt – He believes the \$15m for (affordable housing) Safe Harbor could be cut down to only what is needed for next year; they are working through the original \$20m and \$500,000. Last unknown is Coastal Resiliency Advisory Committee (CRAC) interim recommendations for projects within coastal areas subject to flooding and erosion; these would impact projects that haven’t started. Don’t have numbers for future potential costs: strategic plan, staffing study, commuter shuttle system, 5-year forecast, open space and recreation plan, solid waste, NRTA year-round service modification, Sustainability Office, PFAS, Coastal Resiliency Plan, and Master Plan. Reviewed the next steps.

Grause – The debt service for FY2022 is about \$10m; asked what it was before.

Turbitt – FY2021 was about \$750,000 less.

Grause – Asked if \$111m is attainable.

Turbitt – It is reasonable and attainable to raise that sum.

Schaeffer – Asked the total of the FY2020 Rooms & Meal tax receipts.

Turbitt - \$5.5m actual receipts.

McEachern – Once you have information about the current unknowns, asked that information be shared, especially regarding the citizen warrant articles.

Vieth – Asked if the Affordable Housing Trust Fund (AHTF) override of \$22.5m would be proposed.

Turbitt – It is his recommendation that only \$7.5m of the \$22.5m be considered for Safe Harbor maintenance.

Gibson – AHTF will be discussed at the Select Board.

Roche – Regarding all the things that could potentially happen, are they on a tally sheet with what those numbers could be and how do the plan and mitigate.

Turbitt – We regularly discuss outstanding unknowns with Town Manager and update on any potential changes. A current unknown is State Aid; the Governor’s budget upholds to level funding, so he doesn’t believe State Aid is a major unknown at this time. He conveys any information to the Town Manager on anything that could materially change the budget. He has an idea what some unknowns could do to the budget should they come to fruition.

Roche – She’s thinking about OIH, PFAS, Bubble Burst, and SSA deficit; those four would have a huge impact on the budget should any one of them happen.

Turbitt – If the SSA were to have a deficit before December 31, 2021, there would be a lot of discussion between the Town Administration and our elected officials. It’s important to note that the way their enabling legislation was written, the Commonwealth is obligated to cover the deficit and has the ability to bill the community back. This would be less of a risk than the others.

Roche – Asked if merging Parks and Rec with the Community School is seen as a savings or a way to manage the system better.

Gibson – Hopes there would be some cost savings and a way to increase revenue; we haven’t gotten that far yet.

Roche – Last year there was a Citizen Warrant Article about the Land Bank borrowing some of our bond rating; asked if that happened.

Gibson – That didn’t happen and hasn’t been put forward again.

Roche – Asked how the OIH 2½ override would play out.

Turbitt – On the assumption that FinCom makes the recommendation, the article would be written with the suggested funding sources: \$5m from the General Fund, would say “raise and appropriate or transfer from available sources”, but also state it is contingent upon a successful ballot question. If it passes ATM and the ballot we are free to raise the \$5m through the override. If it doesn’t pass at ATM, we can make changes at that time. If it doesn’t pass at the Ballot, we would have an unbalanced budget and couldn’t set a tax rate until we had a STM to identify other available funding sources for the \$5m revenue requirement. The \$5m is what we anticipate sustaining operation now and into the future. Right now, OIH is funded through Free Cash which isn’t sustainable.

Kronau – Asked what the OPEB liability is.

Turbitt – About \$90m to \$100m.

Kronau – Regarding the incremental street parking, asked if that would be self-funding.

Gibson – It’s more than writing tickets; it’s moving along with the timed parking restriction to create turnover. If we increase parking fines, it might pay for itself. That was being discussed before COVID hit and we didn’t get back to it.

Kronau – Asked if there is a sum of all things funded through CHP program; she doesn’t need that tonight. Also, would like to know the projected number for Network of Care; she knows ReMain funded these positions the first year then the Town picked them up.

Gibson – We don’t have anything written up. What comes to mind is the Energy Coordinator and Housing Director.

Day – Network of Care right now is \$24,000 a year.

Kronau – Free Cash for OIH is a one-time expense so if it doesn’t pass, asked if we will be able to get by.

Turbitt – This year we funded it with Free Cash. For next year, the motion will be written with the recommendation for a \$5m override. The \$5m Free Cash is listed in the event the override is not successful.

Kronau – The \$5m override did pass at the ballot last year. The Parks and Rec merger with the Community School might satisfy Maria Zoda’s article, which last year we gave a motion not to adopt.

Gibson – Ms. Zoda’s concern extended beyond recreational programing but no amount of explanation about how maintenance works has satisfied her.

Kronau – Any savings in an economic downturn would come from personnel. Her observation is that anytime we add someone in the future, we should think them being the first stop in saving money. The Town is prudent and cautious the way they add people.

V. REVIEW AND DISCUSSION OF MOTIONS FOR CAPITAL PROJECT ARTICLES OF THE 2020 ANNUAL TOWN MEETING (ATM)

Discussion **Kronau** – The Capital Program Committee (ComCapCom) report has been distributed to everyone. Thinks the coordination with CapCom this year was much improved. As far as individual projects, suggested FinCom members talk with the individual department heads about them.

Turbitt – Reviewed the CapCom recommendations report: break down by department of the \$23.61m General Fund Total; Enterprise Accounts Total \$32.72m broken down by Enterprise Fund; funding sources for General Fund and funding sources for Enterprise Accounts; projects greater than \$1m from the General Fund and from Enterprise Accounts; and General Fund projected taxpayer impact.

Kronau – The rest of the report is process; asked for member comments.

McEachern – These meetings started in August and went through to the last week. At the Select Board meeting last night, Rick Atherton brought up a concern about the condition of the roads. Maintenance projects for existing fixed assets are hashed out in the CapCom meetings.

Grause – Asked why the Lovers Lane improvement was recommended but Waitt Drive was not. Asked how good the \$6.7m is for PFAS and if the expense will be borne by the Federal Aviation Administration (FAA) or Nantucket.

Turbitt – Waitt Drive supplemental funding, which went forward last year for both Amelia Drive and Waitt Drive, was not enough for both; we will do Waitt Drive first and have money for that from previously allocated articles and Mass Works Grant for \$1.5m. Amelia Drive will be done at a subsequent time period. Phase 2 of surfside area Road Improvement is for upgrade of Lover’s Lane. The PFAS cost is born by the Airport Enterprise Fund; doesn’t know if there will be FAA reimbursement. The \$6.7m was put forward for the borrowing authorization; he’s comfortable with the number.

Vieth – She agrees with Mr. Atherton’s comment about the roads needing attention. Asked Mr. McEachern CapCom’s thoughts on affordable housing.

McEachern – CapCom reacts to projects brought before us by department heads, Town Administration, and Select Board; we don’t create discussions based upon what a member might or might not want to do. He thinks it’s great that Ms. Gibson and Mr. Turbitt address the employee perspective of housing through the Operating Budget.

Kronau – Housing would have to come to CapCom through a mechanism like the Town or a department submitting a capital request for employee housing.

Motion No action at this time.

Roll-call Vote N/A

VI. POSSIBLE ADOPTION OF MOTIONS ON ATM WARRANT ARTICLES

1. None

VII. NEXT MEETING DATE/ADJOURNMENT

Date: Thursday, February 4, 2021, 4:00 p.m.: Citizen Warrant Article discussions and review County Budget
Saturday, February 6, 2021, 8:15 a.m.: Department Head budget review.

Adjournment

Motion **Motion to adjourn at 5:19 p.m.** (made by: Harrington) (seconded)
Roll-call Vote Carried unanimously//Schaeffer, Harrington, Grause, Maury, McEachern, Vieth, Glowacki, and Kronau-aye

Submitted by:
Terry L. Norton