

TOWN OF IPSWICH
Finance Committee
Meeting of May 12th, 2020
Remote

With a quorum present, the Chair called the meeting to order at 7:32.

Finance Committee members present: Janice Clements-Skelton, Michael Dougherty, Walter Hartford, Michael Schaaf, Joseph Bourque, Timothy Goodrich, Chris Doucette, Jamie Fay, Rob White

1. Citizens Queries – Janice Clements-Skelton

- There is an open chat room for any citizens queries.
- No citizens queries.

2. Acceptance of Finance Committee Minutes – Janice Clements-Skelton

- Motion to approve minutes from 4/14/20 made by Mike D, seconded by Chris.
→Roll Call *Vote: Motion passed unanimously, 9-0*

3. ELD Budget Presentation – John Blair

John Blair, Electric Light and Utilities Department, gave a synopsis of the presentation he gave to the Select Board on the ELD Annual Report. The report is composed for four documents which include Operational Budget, 5 Year Capital Plan, Strategic Goals, and a narrative that brings it all together. John said the subcommittee helped to bring this together and Michael Schaff underscored the need for a Strategic Plan and helped John to create a plan that provides more detail on the vision and strategic goals. John discussed revenue and expenses. The department has a \$17M budget but a third of that is operating and two thirds is power purchases. The department has to purchase wholesale power so a great deal of the market is the wholesale market. John also mentioned that despite the fact that 90% of the customers are residential, they account for less than half of sales. The commercial electric sales are critically important to supporting the operations of the department, and commercial customers depend on stability of rates. For that reason, the department has avoided making changes to the Purchase Power Fuel Adjustment. They have the power to adjust it every month, but commercial customers need stability over lower or fluctuating rates. John also discussed sales trends and peak demand. The more energy that is sold, the more energy they need to purchase from wholesale. Some of the wholesale volume is also affected by the type of energy that is being purchased. John then discussed rates. There has been a declining pattern for the last three years. John showed a graph that went over rates for the last three years and showed how the rates are structured. Janice asked about the comparison communities, and asked if they are all communities that generate their own power or are they grid communities. John said they are all public power communities with the exception of the two most expensive communities which use National Grid and Eversource.

John said another question they typically get involves their carbon footprint and the component of renewable energy in the department. If a source produces carbon, it's a conventional source. If it doesn't, its classified as carbon-free. John showed a graph that shows what the carbon intensity of Ipswich's power is as well as three pie charts which show regional sources, prescriptive sources, and combined power sources. Ipswich is 56% carbon-free, sourced from nuclear, wind, and hydro. Walter asked if the 70/30 split can be changed, John said it can be. They have a defined hedge strategy where they work with partners to cover 80% of what they can't make up themselves and the other 20% is day-to-day and is heavily affected by the market. Rob asked with regard to the carbon-free component, what is the premium for this. John said there is a premium, we can buy source agnostic power from the grid for cheaper than hydro or nuclear. Wind and solar is much more expensive. John said he thinks diversity is important so there are merits to each of the carbon-free technologies as well as to clean gas sources. He isn't comfortable that almost 40% comes from natural gas, this is a growing number and we are subject to the volatility of the natural gas market. John said his goal is to grow

the green component of this and to grow it evenly. Rob asked about Wind 1 and how much it costs us. John said it can bounce between 9 and 10 cents a kilowatt hour. Rob said if we used natural gas or oil we would be paying a third of what we pay for wind. Michael S. said the departments labor under state goals for renewable energy and we have to accomplish these goals gradually so that we don't ignore them and then have to make radical changes. John also said they would have to pay noncompliance fines, so even though gas is cheaper the fees can make it almost the same price. Jamie asked about what the source for generation is on the "imported" section of the graph. John said the vast majority of it is hydro.

John also noted that in the future, the accomplishments and objectives are going to be under the lenses of the strategic goals. John also went over the department's strategy development which include strengths, weaknesses, opportunities, and threats. The subcommittee tried to figure out which category things fit into, what might be over the horizon, how things would impact costumers, and they also got input from community members and department heads. This was the precursor to the 10 strategic goals. Janice asked John to pull out the Capital aligned items from the objectives. Janice said one of the things they are focused on for FY21 is Capital and things are going to be tighter going into the next year. John said for fiscal year 2021, they have categorized projects into Special Projects and System Projects. John said the pandemic has changed a few things on the projects, for example the kiosk for people to pay their bills will now be more essential now. It will allow people to pay with cash through the kiosk and avoid contact. John also went over other special projects which include fiberoptic system upgrades, asset management software, and powerplant upgrades. Michael S. thanked John for his presentation and said that he thinks the ELD is doing a remarkable job balancing rates with environmental objectives and John has been very creative in launching a Peak Power Program that is still unfolding. The ELD is continuing to do a good job and is seeking to manage its future in an effective and professional way. Janice said she couldn't agree more and each year the presentation and report gets stronger. It is helpful to see us moving along a strategic plan.

Jamie asked about updates on Wind Two. John said they did a deep dive with the subcommittee and the Town Manager, the Select Board, and the ELD. The private owners of the turbine are still involved in an arbitration case with the manufacturers of the machine, Hyundai. The proceedings are occurring overseas in the UK. John said they have been in good communication with them recently. They have filed insurance claims which have been rejected. They filed suits which have all been thrown out. This attempt to get a settlement with the manufacture is the final attempt. The LLC's lender that mortgages the turbine has a lien on the turbine for \$1.5M. For us to receive funds to remove the wind turbine, this small LLC would have to win a case against a huge company at above \$1.5M. John got a quote to take the turbine down was \$750,000 and that does not include removal of the turbine, only taking it down. On a positive note, the site where the wind turbine is has proven to be a great site for wind turbines. John said he is very optimistic about installing another turbine once Wind Two is removed. Even if we have to absorb the cost to remove the turbine, we could roll that into the cost for a new turbine and eventually help us to lower rates. Michael S. asked if they are still paying property taxes on the turbine, they are. Michal D. asked what it costs the town for the turbine to just sit there, John said nothing.

Rob asked if there is any progress on getting a dashboard for residential customers to see their consumption on a daily basis. John said they have that capability and people have to just call and they can get signed up. Rob asked if they have an initiative that ties to 5G. John said that is a challenge and an opportunity all baked into one. It's a customer service that will provide better communication to its users. It requires power for the small cell antennae's and it requires some sort of high bandwidth back haul which is typically done with fiber optics. There are three main 5G suppliers right now which are AT&T, T-Mobile, and Verizon.

Jamie asked John how the Coronavirus has affected the ELD. John said everyone is healthy, the system is in good shape, and they have no outages. In terms of the management of it, it has been non-stop revising policies, thinking about risk-mitigation, trying to separate crews, sanitize trucks, install sneeze guards, and increase contactless payments. John said he is very appreciative of everyone's help. Everyone has been working together and delivering where they need to. Commercial usage is dropping a bit and residential usage is going up a bit.

4. Town Manager Report – Tony Marino

Tony said there are weekly updates posted on Facebook. There are currently 54 cases, 25 that are active and being contact traced. With the governor's new phased in approach, Town Hall will be opening with revised hours next week. Council on Aging will be a slower roll-out most likely in June. The library offers many different services so that will start out in June and will just be open for checking out and dropping off books. Crane's Beach is planning to open their section of the beach on a limited basis next week. With regard to the wharf, the ramp was originally scheduled to be opened up by Memorial Day. It will now be finished by the second weekend in June. When they went to take the top of the wall off, they realized the entire wall underneath was deteriorated. So instead of just replacing the top, they had to go back to the engineers, redesign it, and get additional funding. They are making good progress but it will most likely not be done by Memorial Day. There will be alternate ramps for people to put their boats out. Jamie asked what kind of conversations have happened with the Ipswich Outboard Club for shared use. They have contacted the IOC and they don't want to do shared use. They are worried about liability. There will be a press release sent out tomorrow which will list the other public use ramps in Salisbury and Newburyport. Michael S. asked if the Outboard Club property is tax exempt and stated that they have been uncooperative with the town in the past when they were approached by the Affordable Housing Authority.

Michael S said the area abutting Water Street is in poor condition and Michael asked if the Wharf project will extend to that area. Chief Nikas said no, that would be the DPW and they have to get a permit to work within the water to fix that location. Chief Nikas said Vicki and Rick Clark are working to figure out what the issue is there. Michael said he is worried about liability for the town. Janice asked if they are planning to make Water Street one way, especially during boating season. Tony said there has been some discussions with residents and there has been mixed opinions. It will be discussed with the Select Board but it isn't a top priority right now. Janice said Water Street has become very busy with pedestrians and it can be hard for cars to navigate around all of the people since there is no shoulder.

5. Review of the 5/8/2020 Chairs Call – Janice Clements-Skelton

Janice said she frequently has calls with the Chairs of the committees along with Dr. Blake and Tony. This past week the Town Moderator and the Director of the Board of Health also joined the call. The topic was Town Meeting and if it will still take place. If so, when and how and what will it look like. Governor Baker will decide on public gatherings on May 18th. The first thing that was discussed was the FY21 budget and recognizing on a high level that the budget that was presented in January is not going to be the budget that we will go into FY21 with. That informs a lot of the decisions that we have to make regarding Town Meeting. Necessary reductions are on a state and local level. The state has allowed permission for towns to enter into FY21 using a 1/12th budget approach if they are not able to hold Town Meeting by June 30th. The town would need to take 1/12th of the FY20 budget to spend each month. It's a flat allocation to the budget which is not usually how they run the town. This approach allows for towns to enter FY21 without having a Town Meeting. This is the approach the state is going to take because they are not anticipating having a state budget until September. The Select Board does not think that that they do not want to do this approach and would like to move forward with Town Meeting the last week of June. The Select Board will be meeting on May 18th. They have asked for a side-by-side comparison of what a monthly run-rate would look like if we did straight allocation for July, August, and September, vs. what it would look like if we passed a budget reduced by \$1M for July, August, and September. Sarah is working on that and will have it by May 18th. This is an important piece to understand because if the numbers look similar, there may not be a necessity or urgency for Town Meeting. The other thing the Select Board will be discussing on the 18th is where Town Meeting will be held and when, and whether or not they are going to reduce the number of a quorum. After that they will be looking at logistics. Depending on the Governor's guidance for gatherings, they will be looking for a venue that can ensure social distancing. There will also be a mask requirement. Lastly, they will discuss what the warrant will look like. After the meeting on the 18th they will post the warrant in the newspaper likely the following Thursday. The Town Meeting will be posted after that. They can either vote on the entire warrant, only the financial portion, or they can do both but have them separated into Town Meeting and Special Town Meeting.

that way they can end after the financial articles if needed and Special Town Meeting to be posted for another time. Janice said she thinks they should pick a path and stick with it, and she thinks people would be confused about the third option. FinCom may not make the schedule for the report as dictated by the charter but they will do their best. There is no fallout for missing the deadline for the FinCom report. Finally, while the Select Board will make recommendations about the meeting, the Board of Health will weigh in and at the end of the day, the Town Moderator will either agree or disagree, and he has the power to postpone the meeting if he believes it is in the public's best interest to do so.

Michael S. asked what the formal role is of the Board of Health. Janice said they are an advisory committee, and if we are going to hold the meeting they will weigh in on how we are going to do so safely. They will advise the Select Board on logistics. The Board of Health has already weighed in and said they are of the opinion that we can do this safely and maintain social distancing. Depending on what the Governor says, we will be able to make decisions about location and if it will be indoors or outdoors. Janice said if we do lower the quorum, we will only be allowed to address financial articles. Tom Murphy said if we do it this way we would have to ask George what would be allowed, and what would be considered "financial articles". For example, would the Biolabs TIF be allowed to be voted on. Mike D. said the legislation is tied up in the House. The legislation states that a town lowers the quorum, they are only allowed to pass budget articles, any articles that have to do with meeting Federal Deadlines, and any articles that the Select Board sponsor. The House meets tomorrow and they will likely send out their version by tomorrow. Tom said the reason he called this meeting with the Chairs of the Boards is because we don't have the luxury to do things the way we usually do. He wanted to make sure everyone is on the same page. He still is unclear about why we can't live on 1/12th budget for a few months. Michael D. said he spoke with Sarah Johnson on the phone the other day and they discussed the 1/12th budget. One of the biggest concerns about the 1/12th budget is that our Municipal Budget is very front heavy. We pay a lot of our premiums in full at the beginning of the year to get a discount. The 1/12th budget would be technically called an interim budget and that is only allowed to be done once. The interim budget allows you to spend in July roughly what you spent last year in July, it doesn't have to be divided by 12 evenly. The only problem with this would be if there are interest increases this year. If not, Mike said he does not see too much of a problem in living with a 1/12th budget. If there are increases, there is the possibility to use Free Cash to make up for the increase. They could also ask the companies if they can still get the discount without paying the premium in full.

Janice asked the FinCom members if they think we should go forward with a Town Meeting, or if we should go forward with the 1/12th budget. Jamie said he saw on DOR they had guidance for going forth with a 1/12th budget and one of the tips was to make sure the spending would be lower than last year. He asked Sarah what her recommendation is. Sarah said she started pulling it together today to make budget cuts. From what she understands you have to take into consideration the loss of revenue as well. She also talked to Kevin Merz at the Essex Board of Retirement because that is one of the largest payments the town makes. It is up to the individual retirement boards to make this decision, they will be voting next week on whether or not they will allow Ipswich to make a 1/12th payment. Sarah said her major concern is that with Covid 19, we have a lot of situations that are coming up where we are paying these bills. There have been a lot of additional expenses. If we do a 1/12th budget, it ties our hands and doesn't let us have any maneuverability. Sarah thinks it would be best if we can pass the budget and just get it done. She is also waiting on clarity from the DOR. Janice asked about using Free Cash or Stabilization Fund for costs relating to Covid. Sarah said they can use Free Cash but right now a lot of that is being used for Capital.

Michael S. said it seems that the definition of the 1/12th budget is very important. If it is the way Mike D. explained, it wouldn't be so bad. We need to stay apprised of this. Secondly, we ought to be thinking about some way to tap into the Stabilization Funds so that we have some free cash available. Thirdly Michael asked if they discussed the 1/12th budget with the schools. Janice said it seemed like it would be even more difficult for the schools than for the town. Janice agreed that it would make a world of difference if it is 1/12 of the entire year's budget each month or if it is the same amount of money that was spent in the previous year's corresponding month. Tom said his memory of what Barry said is that he was steadfast that the 1/12th budget would not work. Joe said that his gut says he doesn't see the need to rush into a Town Meeting, but he is

hearing some persuasive arguments for continuing on with Town Meeting. He also said that even though they may be allowed to have the Town Meeting it doesn't meeting people are going to show up.

Rob said the thing that stuck with him is the 10% quorum which is pretty much nothing. He thinks it is disrespectful of people, especially elderly people, to have a meeting in June where people can't attend. He can't imagine voting \$40M with only 20-100 people in attendance. Janice said the good news is none of the people on the phone call last week wanted to go anywhere near a 10% quorum. They might lower it but not sure yet how low. Tom said it is the recommendation of the Select Board with the approval of the Moderator, and he would not approve going to 10%. Rob said he doesn't think the idea of holding the meeting at the beach in cars would work well. Tom said the risk of contagion is substantially reduced in open air so having it outside would be best. Perhaps the football field with chairs and bleachers would work well. Janice said she saw the news and there was a person in North Andover that created a software that can help to figure out how many people can be within a certain footprint for social distancing. Jim Engel said that it seems like the process of holding an outdoor Town Meeting for only part of the warrant will confuse people. Whereas waiting a little while on a 1/12th budget will give everyone more time to understand the numbers and get the budget together. Jim also said he doesn't think he will go to a Town Meeting if it is in June because he is in an at-risk age group. He hasn't missed a Town Meeting in 44 years and he would not feel safe attending this meeting in June. He said he strongly recommends making the 1/12th budget work.

Chris asked Tom what percentage he would feel comfortable with for a reduced quorum since he is not comfortable with 10%. Tom said he would probably be okay with 50%. Chris also asked with regards to budget warrant items, what is the typical percent of participants that would vote in favor of on average per year. Janice said its 99%. There are two or three people that typically vote against the Municipal Budget. It's rare to have even one person vote against the transfers, and maybe two people at the most will typically vote against the School Budget. It's usually the same people who vote against it each year, not because of the specifics of the budget but on the fact that they think the town is spending too much in general. They have not had a legitimate challenge in 10 or 15 years. Chris said in late June, a 50% outdoor meeting, where people usually vote 99% for the budget, doesn't seem like there would be much risk. Chris said with a reduced quorum it sounds like we would be restricted to only a few items, and those items typically pass with a strong majority. He said it seems like a small issue that we might be building into a larger issue. Tom also noted that there might be another wave of Covid 19 in the fall or winter so maybe we should do Town Meeting while we can. Tom said another idea would be to put all of the financial articles in one consent calendar so it goes quickly. But once the warrant is posted, it's done. Janice said a point of clarification is that even if the Select Board decides they don't want to reduce the quorum, they still have the option to only do the financial articles. Jamie said only 9 of the 27 articles are not sponsored by the Select Board. Janice said they would be allowed to do all of the Select Board articles but they aren't required to. Clarification is needed on which articles are allowed, all of the Select Board sponsored articles, or only the Select Board sponsored articles that have to do with finance.

Walter said that he thinks it depends on what Sarah and Tony are proposing for the budget. If the 1/12th budget is July this year vs. July last year, if there is a \$1M delta between this year and last year from real estate taxes. So the question is what is the deficit going to be between local aid and revenues vs. what are we going to cut from the budget or subsidize via Free Cash or Stabilization Fund. Walter said he thinks they could survive for a few months on the 1/12th budget. We want Town Meeting to be what it should be, however if there is another wave in the fall then they won't be able to hold it then either. Tim said he thinks the town can survive funded at fiscal year 20 budget, and he doesn't think that a lot of people will show up if we have a meeting in June. He thinks we should go the 1/12th rout and do the Town Meeting several months in the future when there is a lot less uncertainty and when people are more ready. He would still like to find out what sort of deficit running at fiscal year 20 would mean though, particularly with the schools. Mike D. asked if the Finance Committee is planning to make an official recommendation to the Select Board for their meeting on the 18th. Janice said if that is the will of the committee, they can certainly do that. However, she also mentioned that Tony, Sarah, and Kari are all in this meeting and could pass along FinCom's thoughts on the matter. Mike said the town might want to know what the Finance Committee recommends if they weren't watching this meeting. Janice said she isn't sure if they have enough information to make a recommendation. They are still waiting for

a definition on what the 1/12th budget means and they are still waiting on Governor Bakers recommendation on gatherings. She also said that any member of the Finance Committee is able to able to participate in the Select Board meeting as a private citizen. Jamie said that if Michael wants to make a motion then he should. Mike said he will make a motion after the budget discussion.

6. FY21 Budget – All

Janice said they are anticipating considerable shortfalls with state revenues and some shortfalls with town revenue. Tony and Sarah have taken a first pass at reducing the FY21 budget in a total of \$1M. That is taking \$600,000 of revenue in state aid and \$400,000 in local aid. Exactly where that money will come from and who will be impacted is not known yet. Janice sent Sarah's excel sheet. From the original budget, the school will be further reduced by \$627,553 and the town will be further reduced by \$372,447. These numbers might need to be reduced more depending on how things go. Sarah said they planned for a 10% cut in state aid because that is what was cut in 2009/2010. The \$400,000 is from looking at local receipts and reducing motor vehicle excise, the pilot payment from Crane's Beach, investment earnings being down, and beach stickers may go down. There are a lot of variables that were looked at for local receipts. Sarah said she pulled revenue reports as of yesterday of all of the revenue that has been posted. The town is at 96.9% of all of the revenue coming in that was budgeted. That's because the real estate and personal property payment was due May 1st. They hit the motor vehicle target which is a good thing. The third commitment came in less than half for motor vehicle excise but that was expected because car dealerships were closed. Sarah said her and Tony have started the budget cuts and tried to make it as fair as possible. Janice said this is all just our best guess based on what we are hearing from the state as well as looking at historical data. With any luck we will rebound quicker than anticipated and we can add some funds back in in the fall. Sarah also said she wanted to point out that everyone is talking about using the Stabilization Fund, but the use of that fund requires a vote at Town Meeting so that is not available to us. Free Cash or Overlay may be available but not Stabilization. Walter asked of the \$1M cuts, what does that look like in regards to staffing or other items. Sarah said her and Tony discussed using some Free Cash or Stabilization, if Town Meeting is held and can vote it in. This would help offset the \$372,000 cuts so that its actually only \$250,000 in cuts which would make it so staffing is not affected. Jamie asked what that would look like percentage wise. It would be a 1.2% cut from what was proposed this year, but is still a slight increase over last year, at least for the town side. However, Sarah said we have contracts with unions for negotiated higher salaries, health insurance went up, and retirement went up. So there are large increases from last year that will not change. Rob asked what the road replacement and maintenance look like with the cuts. Sarah said the DPW offered up a small piece of roads. Sarah and Tony talked today and said they would do everything they could to not touch as much as was offered. It might be a small percentage. Janice asked Sarah to do the same analysis for the schools in regards to the percentage. It would leave them with \$138,000 more than the prior year's budget, which is about a 2% cut from the proposed budget. Janice asked if they can access Education Stabilization without a Town Meeting vote, Sarah said no they cannot. Walter said they could use Choice funds though. Michael S. asked Michael D. what he thinks about the 10% state cute. Mike said a few weeks ago the state was talking about a 5%-10% cut, but last week there were discussions about a possible 20% cut. Mike said he isn't sure what the final cut will be but as more spending continues to combat Covid related issues it may be more like a 15%-20% cut. Sarah said she is on a call this coming Thursday to give recommendations through the MAPC and she will likely know more then. Joe said the states are in the same situation as the local governments. The Federal Government is going to have to step up and help the states as well. Chris asked if the town has furloughed any employees. Tony said they haven't furloughed any employees yet but they may need to reorganize things depending on how everything goes. They sent out letters to the unions to see if they would prefer to do less of a salary vs. having to do layoffs. Tony said he is looking at some re-orgs that will help save some furloughs. We can make further adjustments in the fall once the state passes their budget. Chris said it didn't seem like there was a lot of bloat in the budget. Tony said depending on how much we choose to take out of Stabilization, and how much we have to cut, it will likely have to come out of staffing. Michael S. asked if the schools have reached out to their unions to see if they have discussed lowering salaries vs. having to do furloughs. Tony said he doesn't know but they did get the revised base budget number.

Jamie asked Sarah to run the numbers by him again. He clarified that the \$600,000 shortfall in state revenue and \$400,00 shortfall in local revenues would have an impact on the town of \$372,000. They are trying to cut the budget by \$250,000 and make up the remaining money through Free Cash and Stabilization. Tony said that is correct and that was done based on the recommendation of the Finance Committee. Jamie said the real risk is probably not on the local revenue side and he asked Sarah if she feels confident that we will get the local revenues that are being projected. Sarah said she hopes so. Historically in recessions there are large drops like \$200,000 in Motor Vehicle Excise tax. Sarah said they are typically conservative so they always budget for less motor vehicle excise than they actually expect. So, it may look like a 16% cut but it's actually only a 10% cut. Sarah said they asked for a 5% budget cut from department heads but right now they are only implementing a \$250,000 cut. Jamie said he thinks a cut like this would be very difficult for the schools.

Janice said they should also talk about the Biolabs TIF. She asked Michael to take a few minutes to talk through what he sent around. She cautioned that we don't even know that this is going to end up on the warrant so we may not want to take a position on it at this point. Michael said he sent around an analysis of the TIF which includes several spreadsheets. What Tony put forth earlier is largely consistent with the lost revenue from the 10-year TIF which is about \$2M. A key factor in the change and the impact is what the assessed value is. The highest level of consideration is the loss of revenue and the necessity of the subsidy to support the business. Michael said he is concerned they are giving away money that they don't have to, but at the same time want to indicate to the town support for the expansion. The expansion should be \$26M and the development cost is more like \$40M. The difference between the \$26M and the \$40M is \$1M in revenue. Each spreadsheet shows various situations for revenues.

Janice asked Michael to talk about the difference in \$26M in assessed values and the \$40M. Tony said Patriot Properties gave them the assessed value and they are a commercial assessing company. Michael said they need to decide what kind of TIF they are comfortable with. He put together a 5-year TIF that would reduce it significantly in order to save the revenue for the town. On a 5-year TIF the lost revenue would be reduced by \$1M. It provides a more substantial subsidy at the front end. Janice asked Tony where he is on the TIF percentages. Tony said they have already been dropped down from what we originally had. Tony went over the schedule. Jamie asked when the building will start and complete construction. Tony said they have already gone through the Planning Board and they will probably start with construction this summer or fall. Jamie said in fiscal year 21 we may be able to capture a percentage of new growth. They have not pulled the building permit yet, it is estimated to be \$400,000 minus the \$50,000 or \$60,000 credit that we have with them. Chris asked if the town doesn't grant the TIF what will the plans be for New England Biolabs. Tony said they prefer to build in Ipswich and are hoping to get the TIF, but there are other towns that want them to build there as well so they may go elsewhere. Chris said he remembered when EBSCO came to the town about building a parking garage a few years ago there was a big debate about where it should go and why. Ultimately it was them asking the town for help so that they could expand their workforce in town. Chris said he thinks it was pretty big ask and it would have altered quite a bit downtown. So for Biolabs, which is a big company, to want to build on their own private land and they aren't asking anything from us, we should tread lightly because we are on the receiving end of this. If they go to Rowley, we get nothing. Chris said he doesn't think we have a lot of leverage in this situation. Janice said Rowley has been courting them diligently. It would not be the Biolabs first choice but at the end of the day they may make a financial decision. Janice said they can take a look at the spreadsheet Michael made and compare it with the changes Tony has made, they can look at the year by year impact. Walter said the tax rates have gone down the last few years, and with the Middle School/High School debt coming off they will continue to go down. Janice said she thinks Michael did a great job and this is well worth everyone looking into this further before it is presented to the voters. Michael said he generally doesn't work in economic development and he doesn't want to participate in pitting community vs. community. He doesn't think they should be spending the towns money on the larger TIF, especially in the middle of a pandemic. He thinks the Biolabs will take the subsidy if they can get it but he doesn't think that is the main factor. The location will be the main factor for them. Janice said they will get the revisions in and recirculate.

- Michael D. moved that the Finance Committee recommend that the Select Board move forward with an

interim 1/12th budget into fiscal year 2021. Rob seconded.

- Discussion followed. Michael said his biggest fear is that we are going to be approving something while not knowing what we will be receiving from the state and local end. Although Sarah and Tony do a great job of being conservative, he doesn't think they are being conservative enough. Mike said he thinks it's best to prepare for the worst and then backtrack and add things back in if possible vs. doing the opposite.
- Rob said he doesn't like the idea of having a smaller quorum and he thinks we should go month-to-month even just to October, just to give more time to get a better idea of what the state will be giving the town. He likes the idea of having more flexibility, especially if there is truth to what Michael said regarding spending the same amount in July that was spent last July. He also said it is more prudent to have more people behind the budget and at the meeting. It is a hard decision for the school but hopefully the reserve fund will be made available. Rob also said he liked how Sarah said we can use Overlay money, and perhaps we can loan the schools money so they don't have to cut teachers. Jamie said loaning money to the school takes a Town Meeting action.
- Janice said her hang-up is if we don't have Town Meeting, how do we get Stabilization Money that will make the 1/12th budget practical. Jamie said the school has access to funds that they can use without Town Meeting vote. Rob said since they are a bottom line budget they can bend as they need to. If the Finance Committee is comfortable giving a loan from the Stabilization Fund to the schools so that we can go month to month, that would be something that would be passed in a Town Meeting in September or October. Jamie said the schools have a budget that is month-to-month that would be based off of what they spent last year. They would also not be able to use their own Stabilization Fund until Town Meeting. They would have to draw out of the Reserve Fund that was created by the override and will have to backstop that with Choice funds. Jamie said he thinks they would need to have some conversations with the schools on this to see if this is possible for them. Mike D. said using Free Cash doesn't require a Town Meeting vote. We have \$1.8M in Free Cash, so we would be able to supplement the school's budget as needed with Free Cash. Sarah said we have things that we need to use the Free Cash for. We have Capital expenses that we are obligated to. Mike asked how much money in Capital are we obligated to spend based on contracts. Rob said we are just trying to get to October though and then the state will be in a better spot, the Federal government will have acted, and we'll know much more.
- Janice said she is torn because if the approach to the 1/12th budget is that you spend the same in one month as you spent in the previous year's month. Janice said if that is the case, this seems like a reasonable approach. But we don't know that for sure yet and if it turns out that it is just a flat 1/12th of the budget each month, then that is a much bigger delta that we would need to cover. Michael S. said perhaps we could make the motion to recommend the 1/12th budget only if it can be done by mirroring the previous year's months. Janice said that would resolve one of her concerns.
- Janice said her the other concern is if there is a way to access Stabilization money due to the emergency. Maybe we are able to use 1/10th of the money. Mike said he would find that out.
- Joe said he has the document from George Hall in front of him which says that towns have added flexibility for passing budgets prior to June 30th. If not possible it can move to a budget which provides no less than 1/12th of the budget per month. Joe said that that seems to clarify things. It can't be less than 1/12th but we would have the ability to go higher. Walter said we have a budget issue and we have a cash flow issue. They are intertwined but separate. Janice asked Mike if he would amend his motion so that it includes that the 1/12th budget would mirror the monthly budgets of 2019. Janice said it should also mention something about the current state of emergency so that it is clear that it is only meant for a few months. Joe asked Michael if we should also incorporate the idea that Town Meeting should be postponed and rescheduled. Mike said if we go down to a 1/12th budget then we would need to have the Town Meeting before June 30th.
- Chris asked Tony if the 1/12th approach vs. being forced to put in an actual budget would have any impact on Tony's ability to meet union obligations. Tony said he would be able to meet the salary

obligations but it would slow down some spending like road projects unless they use other money. Mike said he believes the town is limited legally in how far they can do the 1/12th budget. It is just for the duration of the state of emergency.

- Mike said his purpose of this motion is because we don't know what we are going to be receiving. He wants to do this in the meantime until we know what we will be getting, and use Free Cash to cover whatever delta there is. Janice said there may be a minimal delta between going forth with the 1/12th budget and going forward with Town Meeting. If there isn't a big difference then we might as well postpone the meeting. Janice said we don't have all of the information yet so it's hard to vote.
- Michael S. said we also don't have all of the information from the schools. He said he is inclined to support this resolution but should also acknowledge the schools in the form of some kind of loan. Janice asked if we can loan from Free Cash without a Town Meeting. Jamie said you can establish a budget that gives the schools the same amount of money that they had last year. We can't give them a loan but we would just have to adjust once we have town meeting, like lower the amount of money coming from the budget later in the year and use Stabilization Fund after Town Meeting. Walter said there could be some easy items from the school that could come off and save a significant amount of money.
- Michael S. also said that he thinks that the safety of the citizens is paramount.
- Michael D. moved that the Finance Committee recommend the Select Board vote the Town of Ipswich proceed with an interim 1/12th budget that mirrors FY2020 spending into FY21.

→Roll Call *Vote: Motion passed unanimously, 9-0*

7. New/ Other Business – Janice Clements-Skelton

- Rob said the Strategic Planning Committee will be this coming Thursday and there are no updates.

8. Adjournment – Janice Clements-Skelton

- Motion to adjourn made by Michael S. and seconded by Joe.

→Roll Call *Vote: Motion passed unanimously, 9-0*

Respectfully Submitted By

Alyson von der Esch

5-21-20

Good afternoon,

Given the time sensitivity of the information below, I am sharing a summary of our meeting last night and will post the approved minutes as soon as they are available. Please do not use this forum to discuss or opine, I am happy to answer questions individually.

After significant discussion during last night's FinCom meeting, and taking into consideration our:

- Uncertainty with state aid
- Uncertainty with local receipts
- Concern that "at risk populations" will not feel safe in a large gathering by late June
- Reluctance to further reduce the quorum

The Finance Committee unanimously approved the motion below at the close of our 05.12.2020 meeting:

"I move that the Finance Committee recommend to the Select Board vote that the Town of Ipswich proceed with an interim, 1/12th budget, mirroring FY2020 spending into FY2021".

In summary, we make this recommendation to the Select Board based on the following:

1. With this approach, spending levels for FY21 will mirror the spending levels for that same month in FY20, allowing us to capture prepayment discounts for applicable recurring expenses.
 - a. Tony and Sarah are working on a revised FY21 budget that only allows for a 1.2% increase on the municipal side and a 2% increase on the school side over FY20. As such, we believe this impact of an interim budget for FY21 Q1 will be minimal.
2. Taking this approach would allow us to push a Town Meeting into July or August while still being mindful of the potential second wave in September or October and allow for:
 - a. More time to arrange for appropriate social distancing
 - b. Better understand state aid, local receipts and federal emergency reimbursement
 - c. The use of Free Cash to support potential shortfalls in the school budget or unanticipated costs in the Municipal Budget until we can release funds from Stabilization with a Town Meeting vote
 - d. Better contextualization of the FY21 Budget within current economic conditions

The Finance Committee believes that availing ourselves of the emergency interim budget as allowed and adopted by the State is the prudent and sustainable approach during these uncertain times.

Janice