Finance and Warrant Committee

August 7, 2018

Dave Roberts, Cecilia Emery Butler, Kevin Hughes, Michelle Persson Reilly, Kevin Preston, John Heffernan, Susan Fay

Meeting called to order at 6:34

Chairman Preston marked the retirement of Sue Carney, a long-serving member on the Finance and Warrant Committee, and offered his thanks for her lengthy service.

Mr. Preston introduced the Finance and Warrant committee’s new member, Michelle Persson Reilly

Mr. Preston gave the opportunity for public comment. There was none.

Mr. Kern took the floor to explain the evening’s reserve fund transfer request. He explained that it is to cover the continued costs for property insurance on the construction site of the new town hall. The request is for $55,820.44. Their insurance carrier allowed them to put it on their schedule of insured buildings. This represented a significant savings over the original quote they received from a different insurance broker. This cost is comparable to what we were paying previously month-to-month.

Mr. Heffernan asked if the insurance rate would change when the building was occupied. Mr. Kern answered no.

Mr. Roberts asked how much was in the reserve fund at the beginning of this fiscal year. Mr. Kern answered $500,000.

Mr. Kern explained that the bonding company would prefer they continue to work with the current contractor to save time and money. However, it is not 100% clear how they will proceed.

Mr. Heffernan asked if these delays would delay the construction of the new public safety building. Mr. Kern answered that it does not currently pose a delay risk.

Mr. Heffernan motioned to transfer $55,820.44 from the reserve fund to property insurance line item 11205700. Mr. Roberts seconded. It was voted 7-0.

Selectman Mike Butler took the floor to discuss the excess levy capacity that the town has accumulated over the last ten years.

Mr. Butler reviewed several documents regarding how our town benchmarks against others in tax rates and the size of our tax levies. He noted that in comparison with other towns, our rate of tax increase in the last ten years has been on the low end.

Mr. Butler explained that he met with Mr. Kern and Ms. Terkelsen and they worked with Clifton Larsen Allen, a national auditing firm, to explore the issue of excess tax levy. He noted that the gulf between our maximum taxes allowed by state law and our actual taxes is quite high. Our tax levy is over $7 million under the maximum allowed by state law. There are many towns who simply tax at the state-allowed maximum.

Mr. Preston asked if Mr. Butler compared Dedham to other towns to evaluate what percentage of tax revenue was attributable to commercial rather than residential tax. He noted that the conventional wisdom seems to be that we have a rather large commercial tax base.

Mr. Butler moved to explaining the CLA report that was shared with the committee. He summarized the findings as follows; starting in 2015, the town allocated significantly more local receipts. However, beyond 2018, the town will not likely continue to grow the excess tax levy as those driving sources have plateaued in value.

Mr. Butler called attention to an item in the report that the amount of non-taxy levy funding for our budget jumped from 14% to 21% in 2015.

Mr. Heffernan asked about a table in the document describing transfers in from other funds. Ms. Terkelsen answered that some of this was accounting cleanup, but also there were two times when money was put in from the overlay surplus, which had built over several years.

Mr. Preston pointed out that levy overlay was listed as “additional revenue” which seems unclear. Ms. Terkelsen explained that this is why it is listed as a transfer on the document. Mr. Preston emphasized the importance of not forgetting that this money came from the tax levy.

Mr. Butler noted that the state guidelines suggest towns generate free cash equal to 3.5% of their budget. He has requested that Ms. Terkelsen prepare to forecast possibilities for different outcomes in the next few years. He emphasized the importance of planning for the future so that we can adapt to potential challenges or undertake new projects.

Mr. Heffernan noted that our town government remained conservative for some time beyond the end of the recession. He asked how Mr. Kern reflected on the decisions that were done with free cash in the past few years. He also asked how it would reflect in the tax bill if it had been increased to the levy.

Mr. Preston raised that point that while technically the town could increase the tax levy significantly before hitting state limits, he thinks that politically they could not successfully raise it that high.

Ms. Fay said that she would like to see this study put in the context of town financial goals, such as buildings we would like to build or a rate we would like to keep to. She noted that while having this much excess levy sounds like a good thing, she raises the concern that it may have come from being overly conservative to our own detriment. She reminded the committee that increased property value is not worth much to people who are not planning to move.

Mr. Kern pointed out that sometimes they plan to stay conservative because they cannot be sure when the economy will turn back around. He also noted that Boston’s dip was not as significant as other cities, and the town leadership waited to be confident in their funding.

Mr. Butler thanked the committee for their time and departed.

Mr. Sisson, Economic Development director took the floor to discuss District improvement Financing.

He was joined by Victoria Storrs of Camoin Associates.

Mr. Sisson explained that they are studying the highway corridor as an area of interest for District Improvement Financing. This finance tool may allow them to leverage future development into infrastructure improvement projects. There are some vacancies along the corridor that have lasted for some time.

He noted that there are both structural and quality of life improvements to the area that can be made to better integrate with their vision for the future. He eventually hopes to bring a DIF warrant article before town meeting after further planning.

Victoria Storrs began her presentation on District Improvement Financing(DIF).

Ms. Storrs explained that Camoin Associates are sponsored by MassDevelopment. They are an economic development firm based in New York. Their goal is to help the town to evaluate the tools available to them to meet their development goals.

Ms. Storrs explained the advantages of DIF. It allows an increased level of control over vacancies and improvement opportunities. The goal is to help reconnect the town across the highway and promote commercial growth.

Ms. Storrs synopsized the possible benefits to the town including increased highway crossing, addressing troublesome infrastructural traffic spots, and to ensure beneficial patterns of land use. She noted that Dedham does not have trouble attracting business, and can better target specific new business.

Ms. Storrs explained that District Improvement Financing is an economic development tool authorized under MA law. It enables communities to pledge future tax revenues from a specific area to planned economic development projects. DIF helps to attract new private investment by specifically targeting an area for growth.

DIF is locally designed and approved, and can be combined with other finance tools like grants and borrowing.

Ms. Storrs explained that DIF is not a new tax. It does not alter tax rates. It is not profitably if new growth does not occur. It also does not provide direct incentives to private entities.

Ms. Storrs presented a graph demonstrating the division of tax resources and the income dedicated to DIF. She explained that DIF can fund workforce investment, capital costs, land acquisition costs, and administration costs. This included environmental impact studies and public safety costs.

When using DIF, a town must select a DIF district and an Invested Revenue District. Typically, these are the same parcels of land. Then, the town creates a development plan and a financial plan for the land, similar to other capital projects. In the detailed financial plan, you also estimate what the projection for the space would be without the development program.

Camoin Associates have met with town staff to identify goals and create a model document framing their purposes and plans. Ms. Storrs enumerated the next steps in the process for the committee. Ultimately, any plan they develop will have to go before Town Meeting.

Ms. Storrs opened the floor for questions.

Mr. Preston asked if there were nearby towns using DIF right now. Mr. Sisson answered that Assembly Row in Somerville was a DIF project. Brockton and more towns are using it. Amesbury is now on its second DIF project.

Mr. Heffernan asked if it was determined that the providence highway corridor would be the focus. Mr. Sisson answered that it is his current focus because it represents an excellent opportunity with this grant. Mr. Heffernan requested that the next time they talk about it they have a more exact definition of the planned district, as that plan develops.

Mr. Roberts asked how this proposal related to the planning board. Mr. Sisson answered that they will be discussing this with multiple boards, ZBA, Planning Board, and the Selectman.

Mr. Sisson thanked the committee for their time.

The committee moved to benchmarking discussion.

Mr. Kern explained that repeatedly requesting data from neighboring towns will have severely diminishing returns.

Ms. Terkelsen suggested that they could spend each budget season focusing on one key area.

Mr. Heffernan reminded the committee that they have unanimously voted to create a 3-person benchmarking subcommittee.

Mr. Preston stated that he would like to revise the questions asked last year in conjunction with the town. He suggested the subcommittee meet with the town to generate a set of standard questions across departments as well as a list of comparable towns. He asked that they set a time aside that they may be able to meet with him, John Heffernan, Cecilia Emery Butler, and Marty Lindemann.

The committee moved to the review of minutes from March 22, March 27, and July 12th.

Mr. Roberts moved to approve the minutes from March 22nd. Ms. Emery Butler seconded. It was voted 6-0-1. Ms. Persson Reilly abstaining.

Mr. Roberts moved to approve the minutes from March 27th. Ms. Emery Butler seconded. It was voted 6-0-1. Ms. Persson Reilly abstaining.

Mr. Roberts moved to approve the minutes with the revision of the date from June 12th to June 13th. Mr. Heffernan seconded. It was voted 5-0-2. Ms. Emery Butler and Ms. Persson Reilly abstaining.

The committee discussed the scheduling of their next meeting.

Ms. Emery Butler motioned to adjourn, Mr. Heffernan seconded, it was voted 7-0. Meeting adjourned at 8:44