



Town of Nantucket Finance Committee

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Committee Members: James Kelly (Chair), Clifford Williams (Vice-chair), Matthew T. Mulcahy, John Tiffany, David Worth, Stephen Maury, Craig Spery, Joseph T. Grause Jr., Peter McEachern

MINUTES

Thursday, February 4, 2016

4 Fairgrounds Road, Community Room – 4:00 p.m.

Called to order at 4:01 p.m.

Staff in attendance: Libby Gibson, Town Manager; Brian Turbitt, Director of Finance; Lynell Vollans, Assistant Director of Finance; Mike Cozort, Superintendent of Schools; Diane O’Neil, Director of Facilities; Martin Anguelov, Assistant Finance Director; Jeremiah Splaine, Director ELL Program; Terry Norton, Town Minutes Taker

Attending Members: Kelly, Williams, Mulcahy, Tiffany, Worth, Spery, Grause, McEachern

Absent Members: Maury

Late Arrivals: None

Early Departures: None

Public: Matt Fee, Selectman

Documents used: Minutes for the January 12, 2016, January 14, 2016, January 16, 2016, January 19, 2016 and January 21, 2016 Meetings; Nantucket School Committee FY2017 Education Appropriation System-wide Technology budget; Nantucket Public Schools (NPS) Budget Development FY2017; Nantucket School Committee FY2017 Education Appropriation Community School Budget; Financing Plan – Tax-Supported Debt Model

I. PUBLIC COMMENTS – any member of the public may address committee at this time

1. None

II. APPROVAL OF PRIOR MEETING MINUTES

1. January 12, 2016: **Motion to Approve.** (made by: Tiffany) (seconded by: Worth) Carried unanimously
2. January 14, 2016: **Motion to Approve.** (made by: Tiffany) (seconded by: Worth) Carried unanimously
3. January 19, 2016: **Motion to Approve.** (made by: Tiffany) (seconded by: Worth) Carried unanimously
4. January 21, 2016: **Motion to Approve.** (made by: Tiffany) (seconded by: Worth) Carried unanimously

III. REVIEW OF FISCAL YEAR 2017 SCHOOL BUDGET

Sitting Kelly, Williams, Mulcahy, Tiffany, Worth, Spery, Grause, MacEachern

Discussion **Cozort** – Reviewed PowerPoint® presentation covering the budget: enrollment history and demographics, projected budget increase \$1 million, per-pupil expenditure, 2016-2017 projected Chapter 70 (foundation aid), Federal grants (entitlement grants), IDEA (special education grant). **McEachern** – 17% of the students received Title III about \$142 per English Language Learners (ELL) student; the City of Malden ELL students represented only 7% at \$185 per student. It is a concern that though our percentage of ELL students is higher than other communities; the money we receive is lower

Splaine – Malden is a gateway community and has a supplemental grant for ports of entry. We receive the allotment every year and are not privy to calculations.

Cozort – Stated he has pushed back on that because Nantucket has become a gateway community even if it is not a large city. It has to do with the size of the overall community; we are a town and there is a threshold they look at for gateway cities.

McEachern – Looking at our expenditures per pupil, our population has grown but expenditures have stayed flat since 2009-2010; proficiencies have gone down and wonders if enough is being invested.

Cozort – Biggest opportunity in budget is in replacing the retirement of veteran staff and broadening programs. Probably will see a jump related to the activation of the new building. Have been able to expand and add staffing and programs while meeting needs of a diverse population.

Kelly – Cost differential between new and retiring staff; asked about the schools experience of new hires and housing.

Cozort – Have several people who help find housing for new hires. Have lost staff due to the inability to find year-round housing; however lost more people because Nantucket is not a fit. Continued presentation: breakout of expenses by payroll, school, and department, community school appropriation history, Special Education-residential tuitions, budget development parameters, priorities for 2017-2018. Reviewed the 5-year capital plan. Update on the new school construction project: official groundbreaking Feb 17 1p.m. though ground prep work has begun. Update on renovation work at Cyrus Peirce Middle School.

Grause – Confirmed that on the summary spreadsheet \$636,000 costs built into labor contracts; the balance of that \$1 million is initiatives and positions.

Spery – Asked if it is routine to apply for the grants in the case of repairs.

Cozort – Tried that and the State wouldn't do the site visit. Thinks dilapidated buildings were a higher priority; ours are in pretty good shape. We can't apply after the fact and get money for the new building; we can and should apply for future buildings.

O'Neil – There are some applications for individual repairs such as for a roof.

Worth – On the overall budget there are pie charts and breakdown for individual groups; the numbers don't seem to tie together; asked why that is so.

Anguelov – The pie charts are for this school year (2016-2017) not FY2017 (school year 2017-2018).

Cozort – Stated he is trying to spread out some of the increases resulting from the new school to ameliorate some of those expenses.

McEachern – Those who play sports have a high grade point average; 65% of the student population plays sports.

Cozort – He thinks that is a high number in athletics and that they are an amazing group of people to maintain their grades and manage their time.

McEachern – Asked about pay-to-play expenses borne by parents.

Cozort – There is a sliding scale that starts at \$175 and goes down. Funding is available to students who cannot afford pay-to-play fees.

McEachern – Asked who contracts the rate per student per passage.

Cozort – Steamship Authority and Hyline give NPS a great rate.

Kelly – Asked Mr. Cozort his main concerns and vision for NPS.

Cozort – He wants to ensure all students are served as well as those students NPS is mandated to serve.

IV. REVIEW OF DEBT MODELING

Sitting Kelly, Williams, Mulcahy, Tiffany, Worth, Spery, Grause, MacEachern

Discussion **Kelly** – We had asked Mr. Turbitt to provide a debt modeling for payment of long-term capital projects. This is an orientation. Conversations will take place in the future.

Turbitt – The tax rate impact came in late so he hasn't looked at it but will be available at future discussions. Reviewed the packet make up. Only short-term borrowing out at this time is for the school. This model includes on Nantucket Harbor-Shimmo Plus parcels; building a second model to include Madaket/Somerset; a third will include all four. Rounded out borrowings for the new school and fire station; looking at borrowing 75% total cost immediately and permanently

borrowing it so that it will sit on the tax rate; explained how doing it that way will bring down the amount borrowed.

Kelly – This is one innovative idea that Town has not pursued in the past; the Town has paid for issuance costs.

Turbitt – We always sell bonds at a premium to pay for issuance costs.

Grause – Asked if the premium rate is generated at 3.5% of the market rate.

Turbitt – We use it to pay issuance cost; we amortize what’s left over annually against the amount of the debt exclusion. Under this model, we would disapply it to reduce the amount borrowed. Can model it both ways; the larger premium is more beneficial over the long term. In 2022 we will meet a high point of \$13.9 million then the debt goes down; looking for ways to smooth things out and bring that down. This is all General Fund borrowing and excludes the levy and Enterprise Funds.

Tiffany – Asked if the 10-year capital plan is behind this.

Turbitt – This includes only what is expected to be borrowed out of that capital plan.

Worth – The wastewater is included.

Turbitt – Nantucket Wastewater Treatment Plan is included.

Kelly – Will put this on another agenda for further discussion.

V. DISCUSSION OF SEWER PROJECTS

Sitting Williams, Mulcahy, Tiffany, Worth, Sperry, Grause, MacEachern
Kelly

Discussion **Turbitt** – The Public Outreach Group met and determined, with recommendation from Town Counsel, that calculating the betterment costs by land value is not allowable. Explained the uniform allocation method. The other is gross area method, which is rarely used. The uniform allocation method is the best way to go. He will be giving a presentation to the Sewer Planning Work Group (SPWG) with a recommendation on how to calculate the betterments.

Worth – He thought Town Counsel had vetted the property value methodology and said it was okay; that’s why the SPWG spent as much time as they did on it. Asked about the change in Town Counsel’s recommendation.

Turbitt – The gross area value creates the same extremely large betterments as the property value. His recommendation now is not to use property value.

Worth – Stated he wants to be on the record that he’s very disappointed in Town Counsel’s advice because it took a lot of time and a lot of other people’s time.

Tiffany – Asked if there are other alternatives.

Turbitt – No, there are only the two under Statute 83.15: the uniform allocation method or the gross area method.

Sperry – Asked if SPWG had discussed the uniform allocation method.

Turbitt – That had been presented but the SPWG chose to go a different direction. In the end the uniform allocation method will be easier for people to understand.

Worth – The SPWG focused on cost of the betterment and the allocation. The other part is affordability of the connection, privilege fee, pipe lines, and decommissioning of septic systems. He has seen a similar situation in another town that forced people to sell their homes. He thinks this will be a significant issue.

Grause – If a homeowner is on a fixed income and can’t pay those costs, asked what happens.

Turbitt – There is a lien on the house with a betterment; asking for a deferral of betterment for people who meet Chapter 41A.

Worth – Asked about not being able to pay the cash portion of the hook up. We are trying to get people off septic.

Turbitt – It would just affect the number of people not hooked to the system.

Fee – The initial numbers will help bring costs down for some areas. Too many legal issues would have arisen using the property value.

Worth – The cost of the connection and decommissioning a septic system is a large secondary cost people will have to absorb; in some cases those costs will equal the betterment itself. He doesn't know where people on fixed incomes will come up with that cash.

Fee – He believes the numbers will go down and there is still the split. Explained the logic behind acting on Nantucket Harbor-Shimmo now and putting off Madaket/Somerset.

Worth – Asked if it is the intent of the BOS to make known the split for Nantucket Harbor-Shimmo is the same for Madaket/Somerset.

Fee – Town Counsel explained there has to be some reasonable thought to the split; the split might be different for the two areas.

Grause – The email that was circulated stated that Town Counsel said there was no good way to offer rebates or offsets to homeowners who have recently invested in upgraded septic systems.

Turbitt – There is nothing under the statute that allows that; we could submit a homerule petition but the likelihood of success is low.

Fee – He heard we could create a policy which states that a system under 5 years could be considered “half a unit.”

McEachern – Asked if the betterment charge would be incurred when sewer goes past the house even though they might not hook up.

Turbitt – The betterment is assessed as soon as possible after the project is closed out.

McEachern – Asked if the Town might incur litigation by a person who can't afford to hook up which could come close to \$6,000 to \$7,000.

Buzanoski – Explained that the individual has several opportunities for payment. A person can request a variance from the Board of Health (BOH) for connection. The project has to be finished and accepted by the Town before any betterment assessments are made.

McEachern – Asked if it might not be a litigious “slippery slope” to define septic upgrade and who would make that determination

Buzanoski – The BOH. They have the Administrative Consent Order program which becomes a savings account for hook up to sewer. BOH requires 6 months for connection to sewer for areas with direct impact on resource areas and 2 years outside that. Nantucket Harbor/Shimmo is within the harbor watershed; the plus parcels are questionable.

Williams – Thought capacity was calculated in thirds, asked if more connections would dilute the cost.

Buzanoski – She looked into that; it was based upon 2,300 new connections. As of today there have been 1,500 connections. The connection fee is \$2,000 but it's \$500 when connecting within the 6-month hook up time.

Grause – Asked how much smoothing will have to go into the uniform allocation method.

Turbitt – It will substantially drop; Andrew Vorce, Director of Planning, is reviewing the estimated number of connections. At 60/40 under uniform allocation method it will be about \$65,000 for the Nantucket Harbor-Shimmo area.

VI. NEXT MEETING DATE/ADJOURNMENT

Date: Monday, February 8, 2014; 4:00 p.m.; 4 Fairgrounds Road, Community Room

Topics: Public Hearing for Warrant Articles for 2016 ATM; discussion on warrant articles.

Adjourned 5:43 p.m.

Submitted by:

Terry L. Norton