

Hanover Finance Committee
Minutes
August 8, 2016
Location: Black Center, Room 215

Members Present: Heidi Postupack, Chair; Bill Geraghty, Hanover Selectboard member; Carey Callaghan, Hanover School Board member; Kari Asmus; Nancy Marion; and John Ruth. Absent: Daryl Press. Minutes by Asmus.

Chair Postupack called the meeting to order at 5:00 p.m.

1. *Review/amendment of agenda*

Added: *Next steps in developing municipal budget benchmarks*

2. *Review/approve minutes of HFC meetings on July 18, 2016 - Discussion / action*

Added: A footnote with a list of referenced websites.

Geraghty moved approval of the minutes of July 18 as amended; Postupack seconded. All voted in favor of the motion.

3. *Review/discuss Town of Hanover Capital Improvement Plan (CIP) and responses from Town staff on specific questions – Discussion/action – Bill Geraghty*

Bill gave an overview of his meeting with the Town Manager and Directors of Public Works and Administrative Services. Afterwards, Town staff developed two documents: One with general information about the CIP, and the other with answers to narrower questions.

Bill stressed that the CIP is the result of years of work, but it is still a recent initiative and is being refined and improved. Challenges include many unknowns regarding future needs. One example is the ladder fire truck—a necessary and expensive piece of equipment but not one that is frequently used. In the past Hanover bought its own, but another approach is to consider it a regional resource and to buy its replacement with neighboring communities. While discussions are underway, there are setbacks, and it is unknown when or if the pieces will come together.

General Discussion:

Purchases made from the reserve funds are reflected in the Town's overall budget, but they do not affect the levy (the total amount of property taxes to be collected) as the amount taken out of the reserve funds to pay for the purchases is an offsetting revenue. By contrast, increases (or decreases) in the contributions to the reserve funds are reflected in both the Town's overall budget and in the amount of the levy. Thus increases in the contributions from year to year will increase the taxes of the Town, and decreases in the contributions will open spending capacity in other areas of the Town budget.

Capital reserve funds that are supported by property tax dollars are: Ambulance, Bridges, Buildings, Dispatch, Fire, Police, Revaluation, and Roads. Municipal Transportation Improvements, Housing, Parking, Waste Water, and Water reserve funds are supported by fees and do not affect the levy.

Between FY01 and FY16 the Town levy grew by approximately \$6.2 million. Contributions into tax-supported capital reserve funds over the same period increased by about \$602,000—a 200% increase in that set of line items and almost 10% of the entire increase in the Town levy. Despite the significant increase in contributions, the sum balance of the tax-supported funds is lower this year than in FY01. One fund balance was projected to be negative at the end of FY16. If no further contributions were made, all of the balances would be negative within several years.

One of the challenges to more fully funding all of the reserve funds has been the cuts in State revenues and instability in current State obligations to the Town. Past cuts have been absorbed into the budget, and we are in the “new status-quo.”

Given the difficulty of adequately funding the current CIP and the major water-related infrastructure improvements that are needed (and will be paid for by a great percentage of Hanover property owners), any non-essential addition to the CIP needs to be made with great care. Endowments were suggested as playing a potential role.

Unresolved items:

Although members disagreed on the usefulness of looking out further than 10 years, a request was made to see three more years, or, at least, information of any known major purchases.

Scheduled contributions do not correspond precisely to scheduled purchases in all funds (e.g. Dispatch). Calculating contributions on a formulaic basis would have an inherent logic, but it is not known if this method would be preferable overall.

Although the time horizon is short before the use of many of the reserve contributions, there is an interest in determining whether funds could be switched into other investment vehicles to achieve a greater return. The Town’s elected Trustees of the Trust Funds are the ultimate decision makers and would be the individuals to consult.

The Town has the option of saving money in the General Undesignated Fund (the big bucket) or in the General Fund capital reserve funds (smaller, restricted buckets). Generally, withdrawals from any fund must be included in an article at Town Meeting and shown in the budget as a revenue source, but could there be advantages (e.g. flexibility in use or flexibility in investing) to relying more heavily on “the big bucket” versus “the little buckets?”

The opinion was expressed that at whatever level the Board decides to fund the capital reserves, total contributions should be treated as a fixed cost and not an item that can be cut back to manage tax increases.

Additional questions should be sent to Bill.

4. *Review/discuss updates on Hanover School District FY18 business and budget development*
– Discussion / action – Carey Callahan

The Hanover and Dresden School Budget Committees are meeting this week. The new SAU Business Administrator is expected to produce the “Quick Model,” a tool used in setting budget guidelines. The Finance Committee should plan to give input at the September Board meetings.

Carey will get the schedule of budget-related meetings to Heidi.

5. *Review/discuss updates on Town of Hanover business and budget development* – Discussion / action – Bill Geraghty

The Board will discuss the CIP at its next meeting and the budget starting in October.

6. *Next steps in developing municipal budget benchmarks*

Nancy reported on research in the area of municipal price indices and found some existing options as well as examples of what other municipalities have developed for themselves. A municipal index could be one benchmark, but because of its inherent limitations, she has continued discussions with William Fischel, Professor of Economics, to develop another benchmark as well. The committee endorsed Nancy working with a student recommended by Prof. Fischel who has been assisting him on a related project.

It was also suggested that the Town’s Director of Administrative Services be tapped as a resource.

Nancy will report back at the next meeting.

7. *Set/confirm agenda and time for HFC meetings:*

The following meeting dates/times were confirmed: Sept. 12 at 5:00pm; Oct. 10 at 5:00pm (Columbus Day); and Nov. 14 at 5:00pm

8. *Adjournment*

Callaghan moved to adjourn; Ruth seconded. The motion passed unanimously. The meeting adjourned at 6:27 p.m.