

Select Board Work Session Minutes

October 17, 2024, Work Session

Via Zoom Platform (Hybrid)

Select Board Members Present: Susan Areson-Chair, Robert Weinstein-Vice Chair; Nancy Medoff-Clerk; Susan Girard-Irwin-Member; Stephanie Rein-Member

Others Present: Darrin Tangeman-Town Manager; Kelly Clark-Assistant Town Manager; Trudi Brazil (Town Accountant); Jarrod Cabral (DPW Director); Alex Lessin (Finance Director); Michael Forgione (Truro Resident)

Chair Areson opened the meeting at 11:00 am and read aloud the information for members of the public to join the meeting. She stated that comments and votes would not be taken during the work session.

PRESENTATION AND DISCUSSION ON FY2025 BUDGET OVERVIEW AND YEAR-TO-DATE ACTUALS

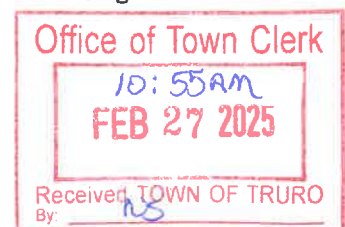
Alex Lessin began his presentation with a timeline for the budget process, which begins with Select Board Guidance. Select Board members noted it is a very quick turn around and offered assistance to improve that part of the process.

Finance Director Lessin shared a pie chart showing the breakdown of the FY25 operating budget, which includes public safety, education, public works, employee benefits, culture and recreation, and health and human services. Conversations about financial policies began in August and Finance Director Lessin stated he hopes to have the budget ready to present to the board in November.

Finance Director Lessin was tasked with looking into Community Compact Grants. They applied for and were awarded a grant of \$17,000 from the Community Compact Program. The Local Technical Finance Bureau did a management review through interviews and finance data, and created a report, which is available online as the Financial Management Review. That report recommended they create written financial policies. Using the grant from Community Compact, they were able to have the Collins Center assist them in drafted policies. Town Manager Tangeman believes this process increased trust with the community.

Features of the last budget included identifying and enhancing revenue, level non-salary budgets, and using pilot programs to meet critical needs. This aspect of the budget highlights the importance of being able to continue hiring and staffing the town, which is challenging, even though level funding for non-salary budgets may mean service cuts with inflation. Lessin provided actuals through the first quarter and stated that expenses are on trend with the rest of the Cape. Chair Areson asked if all legal expenses were included in the Town Counsel line, and Finance Director Lessin believed they were. They will review any non-personnel costs to see the variance between appropriated and expended to then see where there are cost-saving opportunities for the budget.

Finance Director Lessin shared that, because these may be unpredictable, he is watching for the transition from FY25 to FY 26 with the rooms tax, utility costs (a new contract for solid waste is still being worked on and selling solar recs), health insurance (retirees and senior plans - the town pays 65% and prescription drugs is driving the costs), and debt service, since we will likely be borrowing for new projects.



PRESENTATION AND DISCUSSION ON FY2026 BUDGET OUTLOOK

A. Revenues

To create a projection for the levy of FY26, Finance Director Lessin stated he used the previous years levy limit, added or subtracted changes from new growth, added 2.5% of last years levy limit, added new growth (new homes, construction on homes), and overrides. It is optional to add debt exclusions, including the community center. This formula gives the high end of levy limit. They are able to tax up to that amount. The Cape Cod Commission environmental assessment has been added to the levy calculation so as to not simply absorb the cost since it was implemented in 1990. Under the levy limit are the local tax receipts.

State aid has been decreasing though local assessments have also decreased. This local aid is calculated by the state by using the total value of the town and dividing it by the number of people in the community, which makes Truro look much wealthier than it is.

Free cash is the surplus at the end of the year without any outstanding taxes, and it is used in Truro for expenditures that are not repeated every year or until they are able to generate their own revenue. It is necessary because they cannot spend more than what is budgeted unless approval is received from the town, so free cash allows them to meet those expenditures, such as emergency services, otherwise they may need to raise taxes in future years to make up the deficit. The recommended 5% would be less than a month of revenue and potentially create challenges. Town Manager Tangeman stated that keeping free cash at a higher percentage of reserves of the overall budget is preferable and the financial policy should explain the need. Town Manager Tangeman does not feel the free cash percentage is too high because it helps them pay down expenditures without increasing the tax rate. Most of free cash has come from the inability to be fully staffed and retain employees. Free cash is used for many important projects.

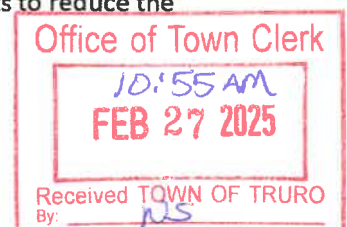
The chart detailing actuals and projections uses an illustration for possible debt exclusions based on estimations of borrowing for potential projects added to the revenue, so they are able to see the debt service going into effect the year after borrowing. The Cape Cod Commission's assessment started in 1990 and has been on the town's levy since then.

B. Expenses

Finance director Lessin stated that the projections used on the expenses chart have many assumptions. They include a 5% increase for all personnel and taking into consideration new collective bargaining agreements will be in place. The new position of Human Resource Coordinator is also included, as well as level funding all non-personnel budgets, a 9% increase for health insurance (employee benefits), an increase for municipal insurance, and increases in the Barnstable County assessment.

Expenses includes the reduction in state aid, and the offset, which includes school choice and library revenue, is part of the assessment for which they have to raise money, so it is included as an expenditure. The Collins Center will help them write an explanation for the school revenue that includes it.

With level non-salary expenditure, an increase in local receipts and a conservative personnel budget increase there is a potential deficit. They must look at the budgets for all departments to reduce the



deficit. The guidance letter from the select board will be important to direct departments on reducing their budgets. They will aim to balance priorities rather than asking for an equal reduction for all departments.

PRESENTATION AND DISCUSSION ON FY2026 BUDGET PROCESS

A. Budget Guidance Letter

Departments will be asked to use "Clear Gov", an online program, to input their budget information and narrative. The finance department will aim to have everything ready multiple days before the Budget Task Force meeting. The length of the narratives has shortened so departments can focus on the budget. In the past departments have been asked to discuss any high variances and they can be asked to discuss any significant changes between the FY24 budget to FY24 actuals in their narratives or be prepared for that discussion this year.

The current draft of the letter discusses sustainability, which departments should consider as part of the budget plan. Promoting sustainability incorporates environmental sustainability, for which the town as a whole has made progress by lowering energy costs, as well as the long-term sustainability of the year-round community. They should include an economic overview, that follows trends in town that inform the needs for the FY26 budget, as well as the top priorities they will be looking for.

Also noted in the current draft of the letter is an explanation that the Select Board and town meeting approved four different staffing needs. This explains why departments will need to look over their non-personnel budgets to level or reduce costs. The town must find space in the existing budget to fund these positions, notably the HR Coordinator, so as not to need an override. Thus, the letter currently encourages departments to create a lower non-personnel budget than the previous year. The Finance Department will assist department heads to meet the needs and expectations of their budgets while lowering costs. They will also ask departments not to propose any new positions so as not to compete with funding the HR Coordinator.

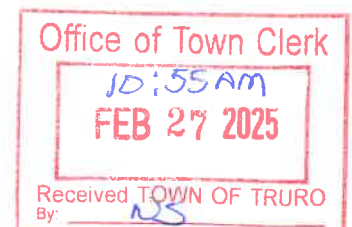
Departments are also asked to implement suggestions to create revenue and may do market research to justify increases if they are offering more services or and/or meeting increased need.

B. Budget Task Force Schedule and Budget Referral Dates

Alex Lessin will make edits to the draft of the letter, and the Select Board will discuss the revised version on Tuesday, after which they will vote on it. The guidance letter will go out to departments by October 22, 2024, and ask them to have budgets prepared by Thanksgiving. Then he and Trudi will refine them, completing a preliminary budget by December 3. This schedule meets requirements of the Charter. Finance Director Lessin will make recommendations for changes to the Charter and the Select Board will decide if they will give the direction to the Charter Committee. Finance Director Lessin stated he would like to consider the meeting of the Budget Task Force to be an opportunity for the Select Board and Finance Committee to speak. All agreed that the meeting schedule as proposed is acceptable and noted that it is aggressive and transparent.

Member Rein made a motion to adjourn at 12:50 pm.

Clerk Medoff seconded the motion.



By unanimous consent, the meeting was adjourned.

Respectfully submitted,

Robin D. Huibregtse

Robin D. Huibregtse
Board Support/CPC Coordinator

Susan Areson

Susan Areson, Chair

Robert Weinstein, Vice Chair

Nancy Medoff

Nancy Medoff, Clerk

Stephanie Rein

Stephanie Rein, Member

Susan Girard-Irwin

Susan Girard-Irwin, Member

