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*Submitted by Finance Comte
Chairman*

Freetown Board of Selectmen

Joint Meeting Board of Selectmen, Finance Committee and Water and Sewer Commission

Minutes

Wednesday, October 13, 2021 – 5:30pm

Police Station Community Room

15 Memorial Drive, East Freetown

Call to Order

Selectmen Matthews called the meeting to order at 5:30pm. Selectmen Zager, Selectmen Grunwald, Finance Committee members Gary Martin, Chairman, Kent Wilkins, Emily-Anne Dors, Margaret French, Town Accountant Kimberley Fales, Interim Town Administrator Deborah Pettey, Water and Sewer Commissioners Lee Baumgartner, Paul Sadeck, Bob Parker Chairman, Administrative Assistant Lola Furtado, and Executive Assistant Lu-Ann Souza were also present.

Gary Martin called the Finance Committee meeting to order at 5:30pm. He noted Kent Wilkins, Emily Anne Dors and Margaret French were present and Robert Alderson, Katie Calheta, and Christine Shea Dupras were not in attendance. He also reminded everyone that the Finance Committee passed a rule that masks would be worn at their meetings.

Bob Parker called the Water & Sewer Commission meeting to order at 5:32pm. He noted all Water and Sewer Commissioners were in attendance.

Board of Selectmen

Discussion/possible action on the following topics:

1. Discussion on Indirect Costs Allocation plan for Water-Sewer Enterprise Fund

Selectmen Matthews noted this was a discussion on the current allocation process of indirect costs assessed to the Water and Sewer Enterprise Fund and potentially changing that allocation going forward. Town Accountant Fales passed out a packet detailing the current process to all attendees. Selectmen Matthews asked the Water and Sewer Commission to start the conversation with what they hope to achieve during this meeting. Bob Parker stated that the Water and Sewer Commissioners would like to see their indirect costs lowered and referred to the Finance Committee noting that they had sent a letter on their recommendations moving forward. Finance Committee Chairman Gary Martin stated their feeling was that most of the categories are currently done fairly. The ones that are allocated as a percentage of the budget they feel are done unfairly. Those include Town Audit, Town Treasurer, Management Information Systems, General Insurances and General Administration. He noted if you look at the

full budget of the Water and Sewer most of their costs are passed through from the customer to the supplier. Almost \$950,000 of the budget does not cost the Town anything. The Finance Committee's proposal is to exclude the portions of the budget that pays for sewer disposal and water supply from the calculation. Indirect cost for those five items would be based on a current budget of about \$200,000 instead of about \$1.1 Million. This would reduce the indirect costs from to around \$100,000 to around \$75,000.

Paul Sadeck asked if it is a requirement to charge the Enterprise Fund indirect costs? Town Accountant Kimberley Fales stated that she believes it is not in the statute but is a guidance that has been published by the Department of Revenue. Selectmen Matthews noted this is a reduction of \$25,000 and asked what the Water and Sewer Commissioners thought about this proposal? Bob Parker stated this was a good starting point and feels they are getting overcharged for just about everything. Paul Sadeck said the calculations are sound, but it costs a lot, and they must pass it along to their customers. He continued that very few of their customers are on the water by choice. Dropping the costs to \$75,000 was great but noted they still must pass that cost along to their customers. He noted that at the last meeting Town Counsel was present and noted that if there is a deficit the Town is required to pick up those costs.

There was discussion that other costs such as salary increases, new hires to fill retirement all must be passed along to the customer. It was noted that when the current employee retires or leaves, they will need to hire two employees to fill the void. Mr. Sadeck continued that they would no longer need to hire the outside company Whitewater once they hire two new employees, one having the certifications, but anticipate even doing that their costs will increase and be passed along to their customers.

Selectmen Matthews asked if there would be an increase in the number of customers for water and sewer with the over fifty-five community coming in on S. Main Street? Paul Sadeck noted that would only be one customer and not all individually charged units. Selectmen Matthews did note that this would be one large customer and that may assist in bringing customer costs down. He also mentioned Copart will be starting and will be another customer. Selectmen Grunwald asked what is the number for indirect costs vs. water costs? Gary Martin noted that \$1.145 Million is the entire budget and about \$948,000 is the purchase of water and sewer disposal. Kim Fales noted that \$93,128 was the current calculation of indirect costs. Selectmen Grunwald noted this is about seventy-five percent of the costs. Kim Fales noted that the new

senior housing unit will bring in approximately \$16,000 in revenue. Selectmen Grunwald noted he had a hard time with other residents paying for water that are not on the service if we subsidize the charges from Fall River and New Bedford. Selectmen Zager said as a water customer he would rather see these indirect costs be paid for by those on the service. Selectmen Matthews did note most water customers are not on the service by choice.

Kim Fales noted the indirect costs are from various Town departments, computer systems, health insurance, pension, facilities, Accounting, audit, Treasurer's Office, workers comp, unemployment, Medicare, insurances. Selectmen Matthews noted the percentages of these costs are described in the handout from Ms. Fales. Kim Fales noted these costs are funded regardless as they are part of the general budget. She continued that this is the mechanism used to recoup some of the costs that are being paid by the general fund that support the Water and Sewer department.

Paul Sadeck noted the method that Ms. Fales is using to calculate the indirect costs is a sound process. Selectmen Matthews asked Gary Martin to explain how the Finance Committee's new calculations would be done. Gary Martin said the current calculation is a percent of the budget for the current fiscal year. What they are purposing is to replace the current budget number for the Water and Sewer Commission by the portion of the budget excluding what they pay for sewerage disposal and removal and water supply. So, the percentage that is calculated would be based on the numerator that is reduced by about \$950,000. Making their budget, for purposes of this calculation, around \$200,000 instead of \$1.145 Million. This would drop the current percentage of 3.93 to about .7 percent.

Selectmen Matthews asked Kim Fales what she thought about the Finance Committee's recommendation. She noted that it was creative and if it was applied consistently going forward there should not be an issue. Selectmen Matthews noted that since Kim Fales feels it is fiscally sound, the Finance Committee came up with this calculation and it reduces the Water and Sewer indirect costs he said it seems to be the right path to go forward and suggests trying it out for the next couple of years. Finance Committee Chairman, Gary Martin noted another further argument to add for changing this is if Fall River and New Bedford raises their rates through the roof the budget would completely swamp the Town's budget and that would clearly be unfair, so the idea is to design a formula that eliminates that as a possibility.

The Board of Selectmen made the motion below.

- Motion to change the indirect cost calculation for the Water and Sewer Enterprise Fund based on the Finance Committee's recommendations was made by Selectmen Zager and seconded by Selectmen Grunwald.
- Vote: was approved in a unanimous roll call vote

The Finance Committee made the motion below.

- Motion to recommend to the Board of Selectmen that the indirect costs that are currently calculated as a percent of the fiscal year budget exclude the cost of sewerage disposal and removal and the cost of purchasing water from the calculations that are currently used was made by Emily-Anne Dors and seconded by Kent Wilkins.
- Vote: was approved in a unanimous roll call vote

Bob Parker said he felt they needed to see the figures before they voted on it. Kim Fales noted that you are voting on a plan, not a number but under the proposed plan the calculation would go down to \$74,645. Paul Sadeck asked if this would void the need for the article on the warrant for \$5,000. Kim Fales said that they would no longer need the article on the warrant if they voted to use this new calculation.

The Water and Sewer Commission made the motion below.

- Motion to that we go along with the Selectmen and Finance Committee at this time was made by Paul Sadeck and seconded by Lee Baumgarten.
- Vote: was approved in a unanimous roll call vote

Town Accountant Kim Fales said she will update the plan and spreadsheet, and present the agreement to all three parties for their signatures.

Bob Parker asked if we would be able to talk about the Meter contract? Selectman Matthews said it was not on tonight's agenda so we would be unable to discuss that topic.

The Water and Sewer Commission made the motion below.

- Motion to adjourn the Water and Sewer Commission meeting was made at 6:05pm by Paul Sadeck and seconded by Lee Baumgarten.

- Vote: was approved in a unanimous roll call vote

Finance Committee made the motion below.

- Motion to adjourn the Finance Committee meeting was made at 6:06pm by Margaret Dors and seconded by Emily-Anne Dors.
2. Discussion, and vote on the transfer request from Mike McCue for \$10.00 due to increased fees for Mass Moderator's Association Dues & Membership.
 - Motion to approve the transfer request from Mike McCue for \$10.00 due to increased fees for Mass Moderator's Association Dues & Membership was made by Selectmen Zager and seconded by Selectmen Grunwald.
 - Vote: was approved in a unanimous roll call vote
 3. Discussion, and vote on the street and sidewalk opening permit for Tasco Construction for South Main Street (Rte. 79) High Street to Water Street for sidewalk project.
 - Motion to approve the sidewalk opening permit for Tasco Construction for South Main Street (Rte. 79) High Street to Water Street for sidewalk project was made by Selectmen Zager and seconded by Selectmen Grunwald.
 - Vote: was approved in a unanimous roll call vote
- Motion to adjourn the meeting was made by Selectmen Zager and seconded by Selectmen Grunwald was made at 6:06pm
 - Vote: was approved in a unanimous roll call vote

Please note: The Board may take up any other business to properly come before the Board that was not reasonably anticipated 48 hours before this meeting.

Old Business:

Potential discussion on pending items – action will not be taken at this meeting:

- Council on Aging Building

Documents and Exhibits used by the Board during this meeting

- Agenda
- Original Indirect Costs Funding Policy
- Transfer Request for \$10 from Moderator
- Street and Sidewalk Opening Permit S. Main Street High Street to Water Street

- Water & Sewer Enterprise Fund Indirect Cost Computation Proposal From the Freetown Finance Committee

Respectfully Submitted,

Lu-Ann Souza
Executive Assistant