

**TOWN COUNCIL MINUTES  
BUDGET/MANAGEMENT COMMITTEE  
Town Hall Council Chambers  
May 2, 2013, Thursday**

Present: Kenneth DiFazio, Chairman  
Patrick O'Connor, Vice Chairman  
Arthur Mathews, Councilor  
Michael Molisse, Councilor  
Michael Smart, Councilor

Also Present: William McKinney, Chief Financial Officer  
Richard Swanson, Town Auditor

Recording Secretary: Mary Barker

Chairman DiFazio called the meeting to order at 6:49 PM. This is the 2014 Budget Kick-off meeting to discuss and review with the Chief Financial Officer. The meeting schedule is also available (publicized on website). He reminded the audience that these are not public hearings. Citizens are welcome to submit questions to Mr. Swanson or the chair, but it is not the forum for public comment. He was informed the Mayor and CFO will offer their assistance.

He read section 6-6 of the Town Charter- Action on the Annual Budget:

*"The Town Council shall adopt the budget, with or without amendments, within ninety days following the date the proposed budget is received by them. In amending the budget, the Town Council may delete or decrease any programs or amounts, except expenditures required by law for debt service. The Town Council shall have no authority to add programs or increase amounts. If the Town Council fails to take any action with respect to any item in the proposed budget within ninety days following the date of its receipt of the proposed budget, such amount shall without any action by the Town Council become part of the appropriations of the ensuing fiscal year and shall be available for the purposes specified."*

Discussion of the Budget included questions prepared in advance by Auditor Swanson and incorporated below.

CFO McKinney was invited to the table. He directed the committee to the Executive Summary of the budget. Budget amounts for last year are based on the beginning budget without the supplemental funding.

Revenues:

- A. Mayor's revenue is budgeted at \$716,427, which is \$400,000 higher than the FY13 budget. What accounts for this increase in projected receipts? What are the major components of the FY14 revenue compared with FY13? What accounts for the six-

*month receipts exceeding the FY13 budgeted amount?*

The CFO noted that the Mayor's revenue is increased by \$400,000 and is due to the \$200,000 for services provided for Police and Fire and \$200,000 for educational services for Southfield.

*B. Accounting revenue is budgeted at \$450,000; same as FY13. What are the major components of the FY14 projected revenue? Is \$450,000 realistic since \$166,003 was received through 12/31/12 and annualizes to \$322,000?*

Continuing, the CFO noted that Accounting, Town Clerk, Conservation, Planning Board, Pensions and Benefits, Police and Fire Departments...basically everything else remains the same for the total of Local Receipts. He moved on to the Treasurer's side. Again, most of the amounts remains the same. He lowered the estimate for Deferred Taxes receivable—it reflects the lower payments received. He did the same with the Room Excise Tax; there are only two motels in town and the reimbursement from the state has steadily decreased. He also lowered the interest/penalty on the deferred tax to more realistically reflect the actual receipts. Miscellaneous revenue is the same. Interest income was lowered in the supplemental budget and kept at the lower level for this proposal. As interest rates remain low, this continues to drop. State Revenues are based on estimates from the cherry sheet. There is a slight difference in state owned land. Mr. McKinney noted for the last few years the town has supplemented the budget with local aid once that \$500,000 came in. The Governor has agreed to fund it at the levels of the last few years; so has the House. The Governor offered a little bit more than the House did, so the CFO went with the House number. The House and Governor both have the same number for Chapter 70. It was noted that the Charter school remains the same. Academy Ave. reimbursement is the same each year; and is on a set funding schedule. Transfer of Funds from Special Revenue stays the same (trash fee and Waterways and Community Preservation Funds). Most of the backup for change to the Water/ Sewer is in that booklet, under Expense, and most of it is comprised of debt and some indirect costs that come from employee benefits and some salaries that are charged to the line.

Transfer from Community Preservation is the debt service for the Emery Estate. It has gone down and will decline each year; as payments are made, the interest goes down (principal stays same). The PILOT- bumped up to reflect increase in payment from South Shore Hospital. The property tax is the amount from the prior year, plus 2.5% plus new growth. Personal Property is increasing slightly due to the same 2.5% allowed increase. Motor Vehicle excise is flat and Boat Excise is unchanged; and interest/penalties on taxes remains the same. Miscellaneous Revenue was decreased slightly to reflect actuals.

Auditor Swanson reviewed his questions with the responses CFO McKinney outlined. He reviewed those fees included in Miscellaneous Revenue, and the Medicaid Reimbursement for students who receive school services--which exceeded 2012. Vice Chairman O'Connor asked about the mitigation funds that are going into

the Stabilization Fund.

*C. Revenues for the Police Department are budgeted at the same level as FY13 (\$163,000). Yet the six-month actual receipts were \$128,644 indicating a higher annualized total. Is the FY14 revenue number for the Police conservative?*

The CFO responded that it wasn't too conservative, but he has to budget the full amount of the property tax, and then adjust elsewhere to cover what doesn't come in.

*D. Revenues for Building Inspection are budgeted at the same level as FY13 (\$650,000). Yet the six-month actual receipts were \$549,962 indicating a higher annualized total. Are the FY13 revenues anticipated to be higher than the budget? if so, what drives this increase? Is the FY14 amount a conservative number?*

Mr. McKinney responded that there was an unusual spike in permits due to weather related damage, but this is not what is expected each year.

*E. Tax Lien revenue is budgeted at \$200,000, same as FY13. The FY13 six-month actual is \$146,279. When annualized, the total would be significantly higher than the FY14 budget. Is the six-month actual revenue indicative of an upward trend?*

The CFO noted it is actually a downward trend, due to the lien auction. Vice Chairman O'Connor asked if he is concerned with meeting the number this year. The CFO responded that he is keeping an eye on it. The second half tax bills will be higher, and the largest motor vehicle collection is in the second half since the bills go out in February. Vice Chairman O'Connor requested a periodic update on the status of this account as the process moves forward. Chairman DiFazio asked if this is a conservative approach based on historical data. He asked the CFO's concern with the consequence of raising \$500,000 - \$1,000,000 and making an error in the estimation. The CFO responded that if he makes an error, the only thing between it and bankruptcy is the Stabilization Fund, which is just over \$1,000,000 and less than 1% of the budget. There is no margin for error. The chairman asked if the CFO and Mayor are comfortable estimating what the town expects to collect in 2014. The CFO responded yes.

*F. Kindly provide to the Budget/Management Committee a discussion on the "Transfer of Funds" since this represents \$9,633,000.*

These are the funds received from the Water and Sewer Enterprise, Community Preservation Committee, Trash contract and most is debt related.

*G. Please explain the \$50,000 in "Insurance Premium."*

Issuance- reflects the premium that is amortized every time a bond is issued. Councilor Mathews noted he worked with the Auditor to produce a Local Aid comparison and provided a copy of the spreadsheet:

LOCAL AID COMPARISONS

	FY14**	FY13	FY12
Chapter 70	27,200,610	27,034,585	25,510,253
All Other Aid	8,322,725	8,159,834	7,552,233
Total	35,523,335	35,194,419	33,062,486
State Assessments			
As a % of:	2,593,785	2,486,530	2,259,312
Chapter 70	9.60%	9.20%	8.90%
All Other Aid	31.20%	30.50%	30.00%
Revenue Increase	328,916	2,131,933	2,433,112
Assessment Increase	107,255	227,218	80,763
Net Increase From Commonwealth	221,661	1,904,715	2,352,349

\*\*Based on Final House Budget

Councilor Mathews focused on this year's numbers, which are troubling. Local and State Aid are both reduced and Weymouth is placed at a huge disadvantage. He personally wrote to local delegation requesting they work to provide the town with an increase. Auditor Swanson and the CFO both agree with the figures and what they represent. Councilor Smart noted they have been collecting 98% in property taxes, which represents \$1.6 million (2%). He asked if it looks to be improving given that the economy is slightly improved. CFO McKinney responded that it has not improved in collections. The town is still pursuing aggressive collection of back taxes through appropriate means.

**Deliberate the following measures:**

**13 068 C-Reserve Fund**

**13 068 X-Debt**

**13 068 Y-Pensions and Benefits**

**13 068 AA-State and County Assessments**

Reserve Fund (Measure 13 068C):

A. The budget is \$500,000 same as FY13-no questions

Chairman DiFazio asked the history- why \$500,000? CFO McKinney responded that is a historical number and was used for special election, and will be needed to fund an increase in insurance premiums. He believes it is needed for FY14.

State and County Assessments (measure 13 068 AA):

*A. Kindly walk the Budget/Management Committee through the \$2,648,714 in Assessments, explaining what each line represents?*

*B. What is the \$700,000 in “Transfer to Capital Projects”?*

Mr. McKinney reviewed the state and county assessments. The numbers are from the Cherry Sheet; some are known and based on usage, others based on actuals from the prior year. They include the mosquito control project, county tax, air pollution districts, Metropolitan Area Planning Council, RMV non-renewal surcharge, MBTA (includes an apportioned debt service to Weymouth), SPED, School Choice and Charter tuitions.

Councilors Mathews and Smart both commented on the high amount to the MBTA-\$1.148 million. Chairman DiFazio questioned whether the increase in the Charter School assessment is a result of more students attending charter programs, and asked for a breakdown of the number of students attending programs. Vice Chairman O’Connor reported that DESE would have that number. Mr. McKinney responded that the DESE information will populate the number to the EOY report. Councilor Mathews noted the comparison in local aid between the Governor’s budget and the House budget.

*Overlay for Abatements (measure 13 068 BB):*

*A. How is the budget of \$700,000 derived? What is the basis? This line item has been \$700,000 since 2010. What were the actual abatement totals for 2010, 2011, 2012 and what is the current number for FY13?*

Mr. McKinney reported that the \$700,000 overlay for abatement is based on what happens year to year and is fairly static. Auditor Swanson asked for a list of the actual abatements.

*Debt (measure 13 068 X):*

*A. The detail tow page analyses within the budget book shows a FY14 grand total of \$10,124,979 in budgeted Debt payments. However, the summary sheet reflects a \$10,052,545 in total Debt for Sewer, Water, Schools and Other. Why is there a difference of \$72,434 in the FY14 totals?*

*B. Why is Water “Debt Service” increasing by \$383,090 or 17%?*

*C. Why is Water “Interest on Long Term debt” increasing by \$301,677 or 42% and Short Term decreasing by \$320,000?*

*D. What drives the Sewer Debt Service to increase by \$199,311 or 13%?*

Mr. McKinney noted the debt represents the actual town debt. There are five categories: town, school, CPA, water and sewer. The State considers it only three categories: water, sewer and everything else. Water and sewer revenue can only cover the water and sewer debt; it can’t cover anything else. The increase this year is because the first principal payment on the bond that was issued (\$2.2 million for the Montcalm Project) is due in

FY14, and increased the sewer debt load. The water debt load increased to cover the first principal payment on the bond issued for the second half of the water treatment plant project (bonded last June). Councilor Mathews asked how long there will be a ban payment? CFO McKinney responded that it wasn't really a ban. There was some short-term interest, but now that the project has closed down and converted to a bond, there are now steady payments. The final rate is 2%. There were also other projects, and the debt was refinanced netting a savings over \$1,000,000 to the town. There are administrative fees and subsidies which affect the principal and interest but are budgeted at the full amount. He reviewed the projection schedule, which he included in the Capital Budget that projects out to the life of the debts.

*Pensions and Benefits (measure 13 068 Y)*

*A. no questions*

Health insurance increased to \$20 million since the start of the year. He provided back-up that includes the list of active and retired employees covered under single and family plans. Workmen's compensation has trended the same over the last few years. Medicare insurance will need to be monitored; the contribution must follow salary increases. The budget does not include layoffs, but money has to be set aside for terminations that result in collection. Life insurance is flat. Contributory retirement is paid out on a schedule and was increased to cover a change in the funding schedule provided by the Retirement Board. It is increasing faster than the rate of inflation and is one of the larger budget drivers. CFO McKinney reviewed the schedule for the chairman. No retired teacher OPEB contributions count towards Net School Spending. The town and school contributions will meet the Retirement Board schedule. After the unfunded liability is paid, the town's set contribution is about \$4 million.

*Revolving Accounts (measure 13 069):*

*A. How are the amounts to accept and expend derived? How does the administration oversee the expenditure of these funds?*

*B. Why is there a Limit to Accept and Expend? Do these amount ever change?*

Mr. McKinney stated the funds are the same except for the new Harbormaster Account voted by the Council for the use of the boat for the duration of the Fore River Bridge replacement project. Mr. McKinney noted the amounts to accept and expend are based on past history. The amounts are included in the budget and cannot be overexpended. The town accountant monitors these accounts. The only one that changed is Parks & Recreation which was increased. Chairman DiFazio asked if any of these funds has a balance remaining at the end of the year, and if so, are they required to remain in the account. Mr. McKinney responded that they could be re-appropriated by the Council. The chairman asked whether there are potential balances. Mr. McKinney responded that he will have to check, as sometimes balances are reserved for one-time capital expenditures, particularly in the Parks Department. Chairman DiFazio asked if it included the meals tax potential income. Mr. McKinney responded no; the Council did not vote the meals tax until after the budget was submitted and it would be included in a supplemental budget. The chairman asked if he foresees a supplemental budget. Mr. McKinney responded that

the meals tax will be a part of the supplemental at some time in the fall; they need to see what the Senate comes up with their budget version. The last couple of years the only supplemental budget has been for the \$530,000 that the House has restored. Now it is built in there but there won't be any increase going forward.

Councilor Smart asked if the Harbormaster Fund is only for the use of the boat. The CFO responded that it is only for the boat and related expenses; the harbormaster overtime is paid from a separate account. Chairman DiFazio asked if the Parks & Recs line item is strictly for programs and does not include fees from rental of fields. Mr. McKinney responded that he does not believe it included rentals. CFO McKinney confirmed income from the rental of school fields goes to the school department and that the school department has its own revolving accounts which don't require town authorization, by law. Typically the school department does not turn back any funds because they spend the money in the general fund before using revolving accounts and allow the revolving accounts to build. Chairman DiFazio asked if the revolving balances were included in last year's school budget? CFO responded yes. Vice Chairman O'Connor noted this had been an issue for several years, and Councilor Smart had asked the balances be provided the last few years during the budget review.

Councilor Smart noted that he brought up the bridge project to ensure that the cost of providing WPD and boat services includes the fully loaded cost- insurance, etc..

CFO McKinney noted the balances for all of the gift and revolving accounts as of 4/2013 were also provided in the budget book.

Councilor Smart noted that the Auditor had reviewed the schools accounts and asked him to provide a brief review for the committee at the next meeting.

Vice Chairman O'Connor noted that \$86,000 is in the account for Weymouth Day- there hasn't been one in several years; and questions if this is funding that can be reallocated to another use. CFO McKinney will provide detail for the committee, including what expenses are associated with the pumpkin giveaway. Michael Gallagher responded that it includes many expenses such as pumpkins and the ride vendors. The Mayor doesn't want to eliminate the account in case a future administration wants to bring back Weymouth Day. Vice Chairman O'Connor noted the account is \$4,000 higher this year- is it possible to move it? CFO McKinney reminded the committee that it is one-time revenue and they have to be careful about using it for recurring expenses. Vice Chairman O'Connor responded that he would like to see what the actual cost of the pumpkin giveaway was from last year.

Gift Accounts (measure 13 070):

- A. *How are the amounts to accept and expend derived? How does the administration oversee the expenditure of these funds?*
- B. *Why is there a Limit to Accept and Expend? Do these amounts ever change?*
- C. *Accounts 8338, 8339 and 8324 under Acceptance show "none required." Why is this?*

*D. Why is it that the Town has an Acceptance limit on Account “5431 Weymouth Day” of \$20,000? Can the administration accept monies that exceed the limit? Why is the Expenditure level three times higher than the Acceptance?*

Mr. McKinney responded that oversight is by MUNIS and the town account reviews. The last accounts are bequests which are not taking additional money.

Unpaid Bills (measure 13 071):

*A. Kindly provide me with the two unpaid bills so I can examine them prior to the Budget/Management committee meeting of May 2, 2013.*

CFO McKinney noted there are two unpaid bills; one from the School department for a utility bill and the second is an unpaid invoice from Information Services. Michael Gallagher reported that he discovered in 2011 that the town was out of compliance with its licensing for Microsoft desktop units and server and worked with Dell and Microsoft to resolve. When the town upgraded its servers and SQL to transition MUNIS to SQL rather than the proprietary database, there were licensing and maintenance agreements. The annual fee on the maintenance agreement was paid in 2011 at the time of purchase of the software. Instead of invoicing in FY2012, the town was invoiced twice in 2013. The unpaid invoice for Dell for 2012 is for the second year of a 3-year contract-and the town is not allowed to pay an unpaid prior year bill with current year funds.

Auditor Swanson will receive copies of the invoices to review before they are submitted. He noted the unpaid utility bill from the school department should have been paid from their funds, but because it is a prior year bill, it must be paid from town Free Cash.

**13 075 Free Cash OPEB Valuation**

CFO McKinney reported that because of the size of the town budget, we are required to complete an OPEB every two years to determine its OPEB liability. The last was completed as of January 2011; the next study is due as of January 2013. Current liability is \$236 million; it was not presented sooner because the Governor has presented OPEB changes that will affect the funding schedule.

Councilor Mathews noted that he has requested in the past that when the contract is redone, it includes explicit language requiring a formal presentation of its findings to the committee, and included in the price of the contract. It will be done during the summer.

**13 076 Health insurance unexpended Balance**

CFO McKinney reported that he did this last year also- a measure put forward that any unexpended balance in this account be applied to the OPEB liability. It was \$400,000 last year and it was noted that a total of \$1million was moved last year and it gained \$50,000 by investing. Councilor Smart asked what this year’s estimate is. CFO McKinney responded that he will not know it until June.

### **13 077 Free Cash OPEB Liability Trust Fund**

CFO McKinney requested a transfer of \$300,000 to the OPEB fund. There was a brief discussion of what other towns are doing. Some have approved overrides to fund their liability. There hasn't been any real advantage identified to paying it off early; but by making some headway the town's bond rating has improved. By not paying it and risking not having the funds to pay retirees health care, it will be difficult to attract employees. By not funding it, the liability each year grows at a much higher rate. The discussion also included some of the proposed changes the Governor is considering. The goal is to plan for the long term without it resulting in massive layoffs.

Chairman DiFazio asked the CFO to provide the amounts given returned to the general fund in the upcoming department budget reviews, and he would like to have this information before the meeting with the school department. He would like to know ahead such that the committee understands the ramifications of not meeting the Net School Spending formula. Councilor Smart asked for a flow chart of positions and salaries of the town workforce from administration down.

### **Adjournment**

At 8:22 PM, there being no further business, a MOTION was made by Councilor Mathews and seconded by Councilor O'Connor. UNANIMOUSLY VOTED.

Respectfully submitted by Mary Barker as Recording Secretary

Approved by Councilor DiFazio as Chairman