

**TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
April 6, 2006 Meeting**

Present: Kenneth DiFazio, Chairperson
 Susan Kay, Vice-Chairman
 Paul J. Leary
 Michael Molisse
 Patrick O'Connor

Also Present: Arthur Mathews, Councilor
 Kevin Whitaker, Councilor at Large
 James Wilson, Chief Financial Officer
 Jane Hackett, Chief of Staff
 Richard Swanson, Town Auditor

Recording Secretary: Susan DeChristoforo

Chairman DiFazio called the Budget/Management Committee Meeting to order at 6:40 PM.

Review and Discussion of the Fiscal Year 2007 Revenue and Fixed Cost Proposed Budget

Ms. Jane Hackett and Mr. Jim Wilson came before the Committee.

Councilor DiFazio explained that the format of the meeting would consist of an overview of the Town of Weymouth's present and future financial picture by Mr. Wilson and Ms. Hackett and this would be followed by questions by Mr. Richard Swanson - and lastly, a question/answer period by the committee members.

Mr. Wilson initially apologized for any confusion with regard to the Proposed Fiscal Year 2007 Appropriation Request Handbook (dated 3/31/2006) sent to the Council members, noting that the second book they received was the correct book to go by, adding that although some items may be different, the numbers were still the same.

Members were told the first category to be addressed could be found in the handbook under the tab "Revenue Projections" - General Fund.

Mr. Wilson then referred to the total amount for Local Receipts, which reflected a \$100,000 increase. He pointed out that there were a few reasons for this, which included:

- Accounting Revenue was down because the State is two-quarter periods (6 months) behind in reimbursement of claims. He went on to explain that at one point the State was only one quarter behind, but now it has grown to two quarters, adding that because of this the revenue number will lag.
- Secondly - the Building Permits have increased substantially due to the Collections received in December of 2005.
- Third - The Police Dept. shows a slight increase in Police Revenue, due to an increase from the courts.

Mr. Wilson wanted to emphasize that these numbers are strictly 'projections'.

Councilor Leary asked for an explanation regarding the increase in Building Permits and Mr. Wilson responded that the increase is mostly from 'Permit Fees'.

Ms. Hackett interjected that no increase expected in 2006.

Councilor Kay asked about the double increase in the Harbormaster's numbers and Mr. Wilson said it was primarily due to an increase in fees in accordance with state statute.

Next Mr. Wilson addressed the Receipts from the Treasurer's Office - which amounted to a couple of million dollars. It was noted that the Fees were associated with the State Revenue - which reflected about a \$2 million dollar increase between '06 and '07.

Councilor Leary asked if the large increase was due to Chapter 7 and the answer was 'yes'.

Mr. Wilson also pointed out that the Lottery was up \$1.2 million.

Mr. Wilson continued to refer to the Line Item detail specifically addressing Transfer of Funds, which he noted included one increase. Mr. Wilson then pointed out the following changes in this category:

- An estimate of a 5% increase due to the Community Preservation Act
- Waterway Fund - \$80,000
- No Police Grants would be available this year
- Sale of Town-Owned property would be going from \$300,000 to \$1,000,000, due to the action taken re. foreclosures. Once this is accomplished, they will proceed with auctioning the foreclosed parcels. Presently they are anticipating \$1,000,000 from three (3) of the parcels.
- Overlay Surplus - there are active cases in tax collection. The Board of Assessors has agreed to release the funds. Mr. Wilson expects to see their letter at the next meeting.
- Police Detail Account - in the past this account has shown a deficit, now the Town will be looking at an increase of \$75,000

Ms. Hackett noted that the Chairman has been working with the Mayor on listing the reasons for the increase in fees with regard to the administrative costs. If approved they will take affect July 1st.

Councilor Leary referred to the years 1999, 2001 and 2002 - asking if they were fiscal years (as opposed to calendar years) and Mr. Wilson responded 'yes'.

Councilor Kay asked about the revenue re. the Community Preservation Act and Mr. Wilson explained that the Town was allowed a 5% administrative fee, which is based on state statute. Using this projection, he was estimating a figure of \$600,000 for FY07.

Councilor DiFazio asked if this number was 'without' matching funds and Ms. Hackett responded 'that is correct'.

Ms. Hackett went on to explain that the administrative fee includes services that are performed; such as, the mailing of tax forms, as well as, accounting and administrative work. She told members that there are a total of 94 lines associated with this statute. She went on to say that the mechanics are much more complex and that is the reason there has been a delay in getting the information to the Councilors.

Councilor Leary stated that in the past the matching funds would be available through 2007 - then asked if that had changed.

Ms. Hackett responded 'yes', informing members that the Town has been put on notice - noting that it has received a lot of press. She further explained that it is a lengthy process and a lot of documentation is required.

Next: Transfer of Funds - Transfer of Special Revolving

Mr. Wilson addressed the Water & Sewer Transfers - informing members they would find some of these figures in the Water and Sewer budgets.

Councilor O'Connor referred to \$3,238,000 - Transfer/SR commenting that he found it to be a pretty large projection.

Councilor DiFazio explained that was basically because of the sale of town-owned land (previously addressed).

Ms. Hackett stated that there were items still to be disclosed which relates to the \$1.3 million dollar figure. She informed members that Mayor Madden felt these funds would be transmitted to the Town in FY06 - and that negotiations were taking place as they speak. She said depending on the wording of the contract, there would be a choice with regard to the source of funds and this will be explained to the Committee.

It was explained to the members that some of the sources include payments from the MWRA and Microsonics (referring to the settlement account, which was noted was similar to a revolving fund). These funds must be accounted for separately by source and this information must be documented on an annual basis. It was further explained that these funds would not be drawn upon in '06, but would be in '07.

Ms. Hackett spoke about money due the Town from Epsilon (formerly Sithe) as well as the MWRA (per a previous agreement) and MBTA, adding that LNR's money (\$1,380,000) is due by 06/30/2006. She said that Mayor Madden expects the funds by that date as the company has committed to this payment schedule. Plans are to spend the balance of the monies due for park improvements and various other capital improvements.

Councilor DiFazio requested that they hold off on this particular discussion for now.

Revenue Projections

Members were told that money due from the South Shore Hospital is the Town's pilot program. It was noted that the town expects payment in lieu of taxes.

Councilor DiFazio asked if there should be a Line Item for Sithe.

Mr. Wilson responded 'no', reason because they were not drawing on it. He referred to FY07 and explained the money comes from the Recap Sheet, then commented:

- this would be the last year for New Growth
- Personal Property projection for '07 was \$1,973,000
- Re. Motor Vehicle Excise - as of 12/31/06- collections would be less than \$1.5 million, down substantially

Mr. Wilson further commented that the balance number remained pretty flat.

Next Ms. Hackett referred to her memo addressed to the Town Council. Subject: Projected Revenue for '06, noting that the number included the following:

- LNR/ Tri-Town's revenue projection
- \$1.1 million in salaries ties to the number in the Executive Summary
- FY05-FY06 is the non-compounded salary cost, adding that this number is the total of the contract approved to date.

Ms. Hackett further noted that the raises for non-union personnel and Superior Officers were not included in the budget, but were in the figures Mayor Madden was using which equals \$3.3 million for FY07.

Ms. Hackett further explained to the Committee that the numbers they utilized to balance the budget are in FY06, clarifying 'as we enter FY07 we are essentially balanced (with no salary liability)'. In FY06 they utilized \$680,000 to balance the budget.

Councilor Leary asked how they justified the figure of \$1,000,000 in town-owned land and Mr. Wilson told him that based on estimates, the number is conservative.

Councilor Mathews requested information on Olive Road- and it was agreed that he would speak with Ms. Hackett later on this matter.

In explaining some of the figures, Mr. Wilson informed members that seniors are allowed to defer real estate property taxes (off the books) essentially forever - or until they pass away, sell the property or choose to pay them. In the past there used to be one or two seniors who did this, now there are hundreds (although when these property taxes are eventually paid this number will increase extra charges).

Follow-up re. Richard Swanson's Questionnaire

Mr. Swanson then addressed his memorandum to Jim Wilson/Jane Hackett, which included 23 Revenue Questions and 11 Questions regarding Fixed Costs. He noted that during tonight's discussion many of his questions have been answered - but wanted clarification on some that weren't which included:

- 1) answered
- 2) in August
- 3) re. LNR \$1.380 million. He noted that this was the same item that had been in the budget for the past two years, but he pointed out to Mr. Wilson - tonight you are saying these accounts will be set up separately??

Mr. Wilson responded that originally he was worried about the 6/30/06 cut-off date, but has now become aware that 'special' funds do not have a cut-off date, so he is no longer concerned. He clarified that if the funds do not come in it as anticipated, it will be viewed as Negative Free Cash, which he commented would present a big concern. He went on to say that they have a \$1.2 million unexpended balance as well as other sources, which would generate a positive balance of \$600,000+. He informed members that there are a number of town vacancies in a variety of departments including two Police Officers.

Ms. Hackett stated that the hiring freeze shows the impact/loss of just one position. The plan is to use Free Cash and raise the revenue necessary to (fill the vacancies) and deliver services to the citizens.

Councilor DiFazio stated he was surprised to see \$1.2 M more than expected, emphasizing he found this very surprising.

Mr. Wilson said that \$1 M is actually a small number - the same as 1% of the cost of insurance or the cost of a snow storm in the Town of Weymouth. He wanted to point out that in actuality it was a very tight budget.

Councilor Leary commented that they were told the \$1.38M was necessary to balance the budget, but now it's showing up again in '07 and he personally has a lot of concern about being questioned about it by the citizens.

Mr. Wilson told him that in order to balance the budget they did not fill 13 town positions and this has allowed them to meet the \$1.38 M. deficit. He further explained the "Projected Accounting" re. money due from Microsonics, MWRA, MBTA, etc.

Councilor O'Connor asked, "if the companies do not pay by the June deadline, were there any penalties in place?"

Mr. Wilson explained that if they are going to use the money in the FY07 budget, the payment(s) have to be in the bank by 6/30/2006, pointing out that the Mass. Dept. of Revenue wouldn't allow it any other way.

Councilor Mathews asked if all of the 13 vacancies would be filled in FY07; i.e., Paul Halkiotis/Planning Dept., etc.

Ms. Hackett told members that last week Mayor Madden and Human Resources met and made the decision on what positions would be filled. At this time they are planning to fill Mr. Halkiotis vacancy - additionally Fire Chief Leary is pursuing filling vacancies in his department. At this point, the first priority is the position of the Building Inspector. She further noted that Mayor Madden has authorized the hiring of a 'temp' for now.

Councilor Mathews asked if they could have a list of the positions to be filled.

Ms. Hackett listed the following:

- 1 Planning
- 2 Fire Dept.
- 2 Police Dept.
- 1 Municipal Finance
- 2 DPM

Mr. Swanson then returned back to his list of questions:

- 6) Referred to Chapter 90 - and asked if was expected in April - with the response being 'yes'.
- 7) Previously answered
- 8) \$65 M tax levy - adding that the schedule answered this question
- 9) this response requires a meeting in Executive Session
- 10) are there any downsides to budget??

Mr. Wilson - responded 'no', commenting 'I believe the revenue numbers are accurate and not aggressive'. Mr. Swanson then asked about the upsides - and Mr. Wilson said that State Aid would be viewed as an 'up'.

Ms. Hackett told members that they are anticipating that the House of Representatives will release its budget next Friday (4/14) and at this time there is no indication the numbers will be higher. She said that the big question is 'will the House adopt the Governor's budget for lottery distribution?' At this point they have been told that the Governor's budget would be supported; but so far they have not received the snow money as previously promised - and no money for utilities as promised. She said that Mayor Madden anticipates no other assistance with the exception of the \$1.2 M.

11) \$150,000+ Mr. Wilson said the number was actually more than that, adding they are also investing the High School money as well as the Water Treatment money and they have done well.

Mr. Swanson asked who is responsible for making the investment decisions for the Town and Mr. Wilson responded that the Town Treasurer is bound by statute and it calls for five (5) criteria. He went on to say that the Town has two (2) investment councilors with a fee being a small percentage of the amount invested.

16) Mr. Swanson asked if the Harbormaster's account ever changes.

Mr. Wilson said that it used to be \$60,000 but the last two years it's been \$80,000, adding that the fees that are charged can never total more than his total budget.

18) There will be less reliance on Town funds - and more on the State and Grants.

19) In response to this question, Mr. Wilson stated that they are doing a great job - basically because of the Cash Flow.

20) Mr. Swanson noted that the number is the same in '06 and '07 and asked Mr. Wilson 'is this your intention' and Mr. Wilson said it was and explained the reason for the increased costs.

21) Ms. Swanson asked if this was a decrease in fines and Mr. Wilson said it wasn't. He explained that the cash flow is the money paid to the courts who then reimburse the Town - although he commented, the payments are slow.

22) Is the audit on the High School complete? Mr. Wilson responded that that they are in the process of closing it out and this includes completing the punch list. He said they first need to decide who is responsible for what needs to be done/corrected, either the Town or the contractor. He felt at this point they wouldn't be getting to the Independent Auditors until the summer.

Debt Service/Fixed Costs

Ms. Hackett explained that there are four (4) authorized bonds - and the anticipated costs are included in the budget at \$175,000.

Mr. Wilson responded that this is the only item that doesn't apply.

Next, Pensions/Benefit & Insurance were reviewed.

It was noted that:

- there would be a \$1.73 increase in FY07.
- Total Figure for Non- Contributory Retirement will be \$70,401.
- Unemployment - this figure involves School Traffic Supervisors and School Lunch employees
- Life Insurance is contractual
- Health Insurance - First payment for Medicare D is \$240,000 and due in October - this amount will offset the Town's premium

Workmen's Comp

This covers the insurance premium (Fire and Police) - that comes under Section 111F

Medicare and Social Security Taxes - 1.35%

Ms. Hackett informed the members that they have brought (Police/Fire) employees back on duty on a limited basis this year - and this has assisted in funding this line item.

Councilor Kay asked "no Master Medical" and Mr. Wilson responded 'no, they are all covered under Harvard Pilgrim Health Care insurance.

State Assessment - Members were told this number was going up this year due to the increased number of Retired Teachers. It was emphasized the increase is an astronomical 26%!

Councilor DiFazio asked if it was an increase of \$776,000 and the response was 'yes'.

Ms. Hackett referred to the Cherry Sheet and the Revenue projections, which amounted to \$2,043,776.

Councilor DiFazio asked about the increase for the retired teachers and Mr. Wilson told him that there was no reason given. He explained that they pay 90% and the employee pays 10%, adding that most employer/employee splits are 70/30%.

Mr. Swanson referred to Teachers Retirement, informing members he will be asking the School Dept. for a breakdown on this figure for them.

Fixed Costs

Mr. Swanson referred to his handout again and the questions:

1) He noted that the Short Term Debt was going down, commenting that the others appeared to be pretty flat to the end.

Mr. Wilson responded that they performed a study, as debts went off others could go on - which is unlike a mortgage payment. He said the number is variable and explained the formula to the members, adding it's a declining balance. He pointed out that the interest is actually down.

Mr. Swanson asked about Short Term Debt and Mr. Wilson said 'yes, on Water, adding the number is included in the \$175,000'.

5) Mr. Swanson referred to September and asked Mr. Wilson what will happen if the Town doesn't receive the state's reimbursement- and Mr. Wilson responded they would ask the Treasurer to go out for a period of 6 months. Mr. Swanson asked if he felt this was within sight and he responded 'yes'.

Mr. Wilson told members that Short Term Debt is at 4.71
And Long Term Debt 5.1 (approximately)

At this point Mr. Swanson told the committee, he was all set with his questions.

Councilor Whitaker referred to the \$175,000/Bonds and asked if this was a 'partial year' figure and Mr. Wilson said it was, adding the total figure would depend on the length of time you go out and the economy.

Councilor Kay referred to the Health Insurance figure and asked what was meant by 'enhanced' and Mr. Wilson told her it referred to those 65 years of age and over.

Review and Discussion of the Fiscal Year 2007 Revenue and Fixed Cost Proposed Budget-Inclusive of:

06 030 - Operating Measure - Authorization for Use of Overlay Account Funds

06 037 - Police Detail Account - Authorization to Use Funds for FY07

06 038 - Sale of Town Owned Property - Authorization to Use Funds for FY 07

06 041 - Donation Accounts - Annual Authorization to Receive Revenue and Expend Funds

06 042 - Revolving Accounts - Annual Authorization to Receive Revenue and Expend Funds

Councilor Leary moved Favorable Action on the Measures.....

Councilor DiFazio interrupted the motion to point out that last year the Budget/ Management Committee decided to wait until the end of the budget process before voting the measures and wanted to know if the members preferred to do this again.

Members agreed to wait until the end of the budget process before voting on the measures.

Mr. Wilson wanted the committee to be mindful of the capital projects as they move forward.

ADJOURNMENT

At 8:45 PM, there being no further business, a MOTION was made by Councilor Kay to ADJOURN and was seconded by Councilor Molisse and UNANIMOUSLY VOTED.

Approved by: _____
Kenneth DiFazio, Chairperson

Date: _____