

**MINUTES OF THE
BUDGET/MANAGEMENT COMMITTEE
April 12, 2004**

PRESENT: Ken DiFazio (Chairman), Sue Kay, Colin McPherson, Paul Leary
And Michael Molisse

OTHERS: Richard Swanson, Jane Hackett and Jim Wilson
Councilor Smart and Mathews

Chairman DiFazio called the Budget/Management Committee meeting to order on April 12, 2004 at 6:30 p.m. at the McCulloch Building, 182 Green Street.

Councilor Kay MOTIONED to take item # 04 069 out of order. Councilor McPherson seconded. VOTED UNANIMOUSLY

04 069 – Appointment to Board of Elder Services, Terrance Winter

Councilor McPherson MOTIONED to recommend favorable action to the full town council on Measure # 04 069 Appointment to Board of Elder Services, Terrance Winter. Councilor Leary seconded. VOTED UNANIMOUSLY

Review of FY05 Revenue Projections and fixed costs

Mr. Wilson reviewed the revenue section with the committee. Over the past 18 months the administration has been informing the Council that the Mass. Dept of Revenue will no longer be looking at Exhibit A. It will now be broken down to two pages (the 1st two pages in the revenue section) with three sections, local receipts, receipts from treasurer and revenue from taxation.

The first area the DOR looks at are local receipts which are generated by department. In this case our revenues are increasing approximately \$60,000 or 2.5% over FY04. They look at the increase from one year to the next and it cannot exceed 5% or be a reduction of more than 5%. The accounting revenue line item is level funded this year at \$670,000. The actuals today will not support this line item as medicaid may not pay all the revenues prior to the end of FY04 because the state is holding back payments. The state said this is a one year deal on this and we will be ok in FY05. We are currently about 1/3 off on revenues today.

When reviewing 2002 through 2004 Councilor McPherson asked why 2003 was so high at \$834,646. Mr. Wilson said this was a catch up year and the town was very aggressive that year.

Mr. Wilson said the other two areas are police and fire reimbursements. Medicaid's are down due to a change in our insurance policy. In FY05 there will be a direct pay from the insurance company to the vendors.

Mrs. Hackett said a portion of these two line items are for disabilities. This is a good change in policy as the town will not have to pay the bills and wait for reimbursements; however we will on the disabilities.

Councilor Kay asked what the drop in building inspections was. Mr. Wilson said in 2002 and 2003 we had permit bills for the new high school that is why those years were so high.

Councilor Leary asked what the drop in assessing was from \$5500 to \$3700 and Data Processing from \$2500 to \$0. Mr. Wilson said the data processing went down to zero as they have not generating anything this year and do not expect anything next year. The data services are now online and people can use the GIS. We also have not received any revenue from the state on elections.

Councilor McPherson asked why the Mayor's rental revenue went down \$80,000 and Mr. Wilson said because they use to rent McCulloch out and they don't any more because we now use the building for municipal finance.

Councilor McPherson asked why the cell rental went up and it was stated that there is space at the transfer station at Wharf Street that they rent.

It was stated that the back up to page 5 in MUNIS is missing from the budget books.

Mr. Wilson said the next section is broken out. Miscellaneous revenues are interest on cash flow. The interest income went from \$500,000 to \$650,000 because we have more cash on hand as we enter FY05 because we have already bonded on the high school project and there will be an additional \$25million available for investment but not yet expended starting July 1, 2005. This money will be available to do short term investments.

Chairman DiFazio asked for clarity. The town received the \$25 million and puts it in an account and then invests it. Mr. Wilson said yes.

The next section is state revenues. Mr. Wilson has been informed that there will be no substantial change from the governor's budget this year.

Councilor Leary asked why the Lottery is down. Mr. Wilson said the high point was in 2001 at \$8.4 million and 2005 is at \$6.4 million despite the fact that lottery receipts have gone up. The state is using this money to off set their budget.

Councilor Kay asked if school transportation is gone forever. It was stated yes, it has been absorbed into the Chapter 70 money with no increase.

Additional assistance came as a result of proposition 2 ½, a few years ago it started dropping and was frozen in 2004 but it is going away eventually.

Councilor Kay stated that Veteran's Benefits are all over the place, could you explain. Mr. Wilson said our expenditure is around \$225,000. The state will reimburse us when ever and what ever amount they want. In FY01 we received nothing. We are required to pay the benefits and wait and hope for some reimbursements.

The next section is transfer of other funds. The internal revolver account is \$1.9 million and there are five elements that make up this account. The water ways fund, police grants, rubbish fees, community services and sale of town owned land. The community services expenses have gone up but are off set by the revolver. There is \$84,000 in summer program fees. In the sale of town owned land account there is \$719,000 and we are using \$710,000 for this year's budget. They are looking at another auction in the fall with those monies available for FY06 budget. Historically the police grants have been \$50-60,000 but captain Callahan has spend two years bringing in more grants.

Tax Title is when we foreclose on a property. Once we go into foreclosure it is town owned property and it comes off the books as receivables.

The pilot program is a direct result of negotiations with South Shore Hospital. The real estate property of \$64.3 million is from the FY04 recap sheet.

Chairman DiFazio asked if we negotiated with South Shore Hospital. Mr. Wilson said there was an agreement with them in 2001 that is based on building permits. There was a base line for which they are never taxed and when they add beds they are taxed on them. There is a deflation factor which changes from year to year.

Chairman DiFazio asked if we are aggressive enough in looking for revenues. Mr. Wilson stated yes. We are only able to write off taxes prior to 1992; otherwise we must keep them on the books.

Councilor Kay asked what the miscellaneous revenues were. Mr. Wilson said one year we received a request from the MWRA showing a complete set of our maps and records and they paid in one lump sum. This line item is an odd ball line item for miscellaneous revenues. It is increasing because the administration sees a few things coming up that will go in that category.

The last entry is the \$1.25 million from the stabilization fund for this fiscal year of which the majority will be for the bond payment on the high school.

Mrs. Hackett stated that the Mayor does not anticipate a supplemental budget this year. The FY04 free cash is projected revenues less projected expenses and should be approximately \$1.1 million.

FIXED COSTS:

Mr. Wilson stated that the fixed costs consist of debt service, pensions, benefits and insurance and state assessments.

Mr. Wilson reviewed this section with the committee. There is a \$900,000 interest on short term borrowings for the high school building department. They know that part of that borrowing is going to be \$434,000 for the first band. They won't have the second band payment until May.

Water and Sewer has some short term borrowings and this amount may not be enough. They will have a better idea once they proceed forward.

Mrs. Hackett stated that they are not projecting reimbursement on the \$900,000 for FY05. We will be getting a 2/3rds reimbursement on this.

Mr. Wilson said all \$50 million has been band. We band \$25 million last year, which is up for renewal in May of this year. Councilor McPherson asked when he anticipates going to bonding. Mr. Wilson said soon after the completion of the high school and they know the final number. Mr. Wilson said they have been advised to bond now, due to interest rates but we would quadruple the payment and have to come up with another \$2.7 million for FY05.

Councilor Kay asked how many years the bond will be. Mr. Wilson replied the statutes say 20 years. Councilor Kay said the school committee minutes referred to the possibility of it being for 40 years. Mr. Wilson said that is Governor Romney's plan and it is different from the legislature plan.

Chairman DiFazio asked for an explanation on the reimbursement and how it works. Mr. Wilson said that Municipal Finance has been asked to do a complete audit of the school project for the SBA over the next two months. There is also a whole series of documents that need to be provided. If we do not comply by the end of the fiscal year it will be presumed that the project will cost \$31.6 million and the reimbursement will be 2/3^r of that. The state knows that the project will cost us \$51 million that is why we are doing the audit. Once we comply with the audit we will be reimbursed 2/3rds of that amount. There is always a risk with the state.

Chairman DiFazio questioned if we are just hoping for reimbursement on the full amount. Mr. Wilson said it is more than just hope. He has been involved in this process for 2 years now. He has been in close contact with the DOE, our legislatures and with Governor Romney's office. They all said even under the worst set of circumstances Weymouth is second on the list for reimbursement. The latest it would be is 2006.

Councilor McPherson asked what the interest rates are today on bonds. Mr. Wilson said 4.4-4.5%. We have banded the original \$7 million then a \$25 million and a \$26 million for a total authorized amount of \$58 million. Mr. Wilson said the high school building committee has huge contingency line items. We will know the final amount in August 2004.

Mr. Wilson said there is one more project awaiting reimbursement and that is the Academy Avenue project. Mr. Wilson said under Romney's budget the reimbursement will be in 2007 and under the legislature budget in 2010. The cost is \$5 million plus interest.

Councilor Smart left.

Jane Hackett said under the Mayor's budget is property casualty. The fire, motor vehicle insurance has increased 3%. The town has increased their deductible from \$1,000 to \$100,000. They have dropped the municipal building insurance because the fund has a balance of \$250,000. They have also taken off physical damage on the older vehicles to save money. Back in 2002-2003 the town decreased their limits of liability and increased their umbrella policy by 3.3% this year. The administration is very pleased with Allied American Insurance Company and assured the committee that the town is well protected.

Pensions, Benefits and Insurance:

Mr. Wilson said he supplied the committee with a letter from PERAC which tells the town to raise and appropriate \$6.8 million for contributory pensions. Also attached were the next several years of liabilities which showed not as dramatic increase. Prior to PERAC the town had to fund public employees on a pay as you go basis and we still have people collecting. The amount is \$77,163.00 and the only way this amount goes down is if someone passes away.

Councilor McPherson asked how much is the unfunded liability. Mr. Wilson said the study was as of 1/1/03 and it was at \$27-28 million.

Unemployment is down 66% which is a direct result of no layoffs in this budget. Over the past few years they have paid approximately \$20,000 over the summer months to the traffic supervisors. Also they still have some exposure to honor unemployment for people who have been rehired elsewhere and get laid off. DES goes back 15-18 months and takes the 2 highest quarters so the town may be on the hook for a portion of the unemployment.

Mr. Wilson said at the end of FY02 the town had a negative balance in the health insurance fund and had to raise and appropriate \$690,000. At 6/30/03 we had \$1.1 million in available revenues and as of 3/31/04 the town has \$1.7 million in the fund. The independent auditors would like to see \$2.1 million. This fund is in much better shape than it was 2 years ago. We are level funding the health insurance this year at

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\$7,622,583 due to our claims being well managed. Claims and administrative costs have spiked dramatically.

Councilor McPherson asked Mr. Wilson if he tracks the claims monthly and he stated yes. This spreadsheet will be provided to the council.

Employee benefits, social security and med. taxes:

The life insurance provides \$3,000 of term life for our employees. The state assessments are part of the cherry sheets. The teacher's retirement have a health care plan as the general government does. When a teacher retires they go to a GIC plan, under state statute we are required to pay 90% and employees 10%. Every other retired employee of the town pays 70/30 or 50/50 depending on their plan. The town opted into this decades ago. This line item is claims and administrative cost driven, not percentage driven. We may be seeking authority to withdraw if we can manage it better internally. We do have an option to withdraw from this program but it would take approval of the Council. This is not a matter of collective bargaining and it would not be an easy process.

Mr. Wilson said he should have the report on this by the end of this week and will forward it to Mr. Swanson.

The MBTA is down due to fewer complaints. The Mayor is working on extending the bus route from Jackson Square to the new high school.

Mrs. Hackett recapped on items that need to be done:

1. a copy of page 5 from MUNIS in the budget book
2. copy of Mr. Wilson's spread sheet on health insurance

ADJOURNMENT

Councilor Leary MOTIONED to adjourn at 8:30 p.m. Councilor Kay seconded.
VOTED UNANIMOUSLY

Respectfully submitted by,

Lee Hultin, Recording Secretary

Approved by: _____