

TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
April 30, 2009- Tuesday

Present: Kenneth DiFazio, Chairperson
Patrick O'Connor, Vice Chairperson
Ed Harrington
Arthur Mathews

Not Present: Michael Molisse

Also Present: Robert Conlon
James Wilson, Chief Financial Officer
Maureen Duffy, Town Auditor

Recording Secretary: Mary Briggs

Chairman Kenneth DiFazio called the Budget/Management Committee meeting to order at 6:45 PM. He noted that Councilor Whitaker has stepped down from the Budget/Management Committee for at least the next few months, and President Smart has appointed Councilor Harrington to replace him. Councilor Molisse will be unable to attend due to a work conflict.

A MOTION was made by Chairman DiFazio to take the second agenda item, **Review/Discussion on Capital Improvement Plan (Fiscal 2010-2014) with Capital Improvement Plan Committee and Chief Financial Officer** out of order and was seconded by Councilor Mathews. Unanimously voted.

CFO Wilson requested the committee move this item to another night, when the Chair of the Capital Improvement Committee will be in attendance.

A MOTION was made by Councilor O'Connor to move the second agenda item to the meeting scheduled for May 28, 2009 and seconded by Councilor Mathews. Voted 3/1 (Councilor Harrington- NO).

Review /Discussion on Revenues, Fixed Costs (Debt and Benefits), Revolving and Donation Accounts with Chief Financial Officer

Revenues

Mr. Wilson reviewed line items in the revenues (Revenue Projections in the MUNIS summary) at the request of the committee chair. It is presented in a slightly different format than last year.

Mr. Wilson reviewed the process. Generally, by this time of year the town receives guidance from DOR with regard to budget guideline numbers. This year, the DOR has already instructed the cities and towns that it will not be providing any specific information until after the first of the fiscal year. On April 15th, the House Ways and Means Committee issued its budget. This contained additional cuts to Weymouth, \$820,000 beyond which was already projected. The budget forwarded by HW&M on 4/29 reversed the cut and added money. In a two week period, there was a \$1.4M swing in revenues.

In January, the budget was crafted with the Governor's budget with projected reductions. It presumed a \$3.7M reduction in state aid, which he believes to be a realistic projection. Doubling receipts for revenues as of December is the general procedure for revenue projections, with a few exceptions. Because the last quarter of calendar year 2008 is probably the most tumultuous time in seventy years, he noted it is prudent to utilize that quarter as a basis to formulate a budget for the future. That philosophy is cited by the International Monetary Fund (IMF) as its approach to calendar 2009 and 2010 year projections.

The exceptions are in Licenses and Revenues-Southfield is struggling economically and it is not reasonable to expect the town to be reimbursed for staff expenses for FY10 at the same level as FY09. \$52,900 of it is as a direct result of the Host Community Agreement, where LNR reimburses the town for certain banned payments. The town is loaning about \$4000 to the base for inspection services and oversight. Combined with the HCA, it is still below projections.

Cell towers are also an exception in that the bulk of the payments are made in the beginning of the year.

There is a difference in Licensing because all licenses are renewed in December. What revenues collected in the first half of the year are essentially what is collected for the entire year. The bulk of parking tickets are issued during the months of July-September.

Chairman DiFazio asked why the alcohol licenses are less; Mr. Wilson responded that less business is being conducted in town.

Constable revenues are up slightly; when the economy suffers, there are generally more lawsuits.

The schools provided certain services to students in need and are then reimbursed by the federal government through the state. The formula for the reimbursement rate is being reduced by the state; possibly to less than \$800,000. This number may change within the next 60 days. (The state may hold onto a larger portion of the reimbursement as an administrative service). This is a direct tie to Special Education. The formula is generally based on a 4% SPED population; however Weymouth's population is closer to 17%. The state change is going back to capping reimbursement to 4%. The town currently stands to lose about \$130,000 with this reimbursement formula.

Assessors Revenue-there is less building going on in town, therefore a reduction in revenue expected.

Treasurer/Collector- all line items are a result of tax lien, foreclosure, investments, cherry sheets, and reimbursements. For the most part they will increase, because people are not paying taxes on time. The increase is reflected in accrued interest and penalties. This amount offsets the decrease in Medicaid reimbursements.

Mr. Wilson then reviewed the numbers taken directly from the Cherry Sheets; state-owned land; blind and elderly abatement; Chapter 70 School Aid; Quinn Bill incentive, which is decreased and expected to be decreased further; while the town is required to increase the budgeted amount for Veterans' Benefits, it can expect the reimbursement rate to be decreased to 30%; Lottery aid; charter school reimbursement, which fluctuates by number of students enrolled; Academy Ave project SBA reimbursement – a constant amount over 20 years; investment income- the town is limited to what it is allowed to invest. The predetermined criteria indicates the town cannot invest in anything with a major risk. 4.75% return on investments was seen last year and has decreased, in some cases to .5%. Over the last year, the town has been moving monies from larger to smaller banks with a greater yield. Reimbursement from the rubbish removal, Waterways Fund, and CPA have all decreased and are directly related to the economy. He reviewed the water and sewer. Sewer is stable; water is increased as a result of the debt service for the water treatment plant bond.

Chairman DiFazio asked why the local aid line is zero; Mr. Wilson responded that it has been eliminated in all budgets.

Tax Collector - \$160,000 in PILOT program (payment in lieu of taxes) by SS Hospital to the town. Mr. Wilson provided the committee with the history of the program. While the hospital is tax exempt, in 1993 then-members of the Board of Selectmen felt some payment was necessary and negotiations generated an agreement drafted and is still in full force. In 2001 the contract was renegotiated to include new and future properties for reimbursement. The current amount does not include the newest addition/parking garage. Because it is a year behind in assessments, it will not be included until FY2011. Indexed to current rates, it should double the current reimbursement rate, payable quarterly.

Every tax-exempt organization was approached for similar reimbursement participation, and with the exception of the hospital, all declined, citing the statutes. Other than Boston, which has teaching facilities, other towns do not collect pilot money.

Real Estate Revenue is the calculation for the levy limit backs into the number. The levy limit for FY09 (\$73M) less the personal property tax is the net real estate tax, less the Site payment- nets the figure proposition 2.5 % is calculated on. That figure times 1.025 is the levy limit increase. Add back in the next statutory payment for Fore River Power generation of \$3.4M, and the total levy limit is \$72.7M. Adding in new growth totals \$73.037M.

Councilor O'Connor asked how close to the new growth figure the town is at. Mr. Wilson noted the DOR will not approve the town's new growth number until September. Town figures are based on the number of permits pulled during the year. There is a change proposed by the governor in legislation, that will allow taxes on telecommunications, and which will, if enacted, have a huge impact on the new growth figure. He did note \$350,000 is probably too high a figure for the next year (lowest since early 90's). Once the classification has been voted in fall, the DOR will come out with its levy limit numbers which must be used and the real numbers will be known.

Personal Property Tax- figure- \$1.862M is based on the actual commitment of FY09.

Motor Vehicle Excise- new car purchases have decreased. Communities are encouraged to reduce their figure by 20%, which Mr. Wilson believes is a bit extreme. Weymouth has never collected less than \$5M during Mr. Wilson's tenure.

Boat Excise- reflects a 20% reduction, based on actual commitment.

Interest/Penalties- not expected to decrease, and miscellaneous staying steady.

Overall an increase in tax collection based solely on the real estate tax going up in accordance with the statutes.

Departmental Revenues

Town Clerk- birth certificate retrievals during the summer months for school purposes and at the end of the year for activities/sports participation determine the two spikes in the revenue.

Conservation Commission- file fees expected to remain the same.

Planning Board/ZBA- generally longer-term issues, and no swing expected.

Pension, Benefits and Insurance – reflect reimbursements from CDBG, the state (wiped out), Medicare (postponing any reimbursement in FY10 for a year).

Police Department- steady; moving violations ticketed in Weymouth area delayed collection.

Fire Department- disability reimbursement, which is difficult to predict; permits and licenses (inspectional services for business and residences) is level funded.

Harbormaster – boat excise is decreased; associated user fees are decreased; fines expected to remain constant.

Building inspections- dramatic change expected. Projected 25% reduction – if permits remain at the current rate, this number will track fairly close. (on expenditure side, will be reflected in a reduction in work hours for 2 inspectors).

DPW- miscellaneous revenue is up due to the consortium bid with Quincy and Braintree for rubbish collection/disposal and recycling. Revenues received for the recycling effort.

Health Department- based on 2008 actuals. Consistent numbers with business and burial fees, not expected to change significantly.

Library – fines figure based on an average collection rate.

Total Revenue package - \$127,872,126; upon which the Fiscal Year 2010 budget is based.

There was a brief discussion on the recycling stream and revenues, and the expected upcoming trend.

09 015C – Reserve Fund - level funded

09 015AA- State and County Assessments – figure taken from the Governor's budget. The only dramatic change will be in the retired teachers insurance. With the Agreement entered into with town employees, there is a reduction in the amount the town will pay for the retired teachers insurance. There are tailings over the next 2 years during which there are still claims outstanding. (GIC saved the town \$2.4M)

There was a brief discussion about the statutory town assessment to county government and regionalized procurements.

09 015CC- Overlay for Abatements – Level funded; not reimbursed to the extent of some of the exemptions, the town may have to pick up the cost in FY10. The town must grant abatements for elderly, blind and veterans.

Snow removal deficit- funding sources include a reserve fund transfer, a transfer from free cash and the balance will be carried over into FY10, which is permitted by statute and authorized by a vote of Town Council in December. Total snow removal cost this year is close to \$1.1M and deficits were carried in the last two years.

09 015X- Debt – Bond counsel produces the list of obligations; the budget is prepared directly from those figures. The only item not included is the new debt service (\$1.4M) for the Water Treatment Plant, to be included July 1st. Principal is flat; unpaid balance at end of each year is basis for interest rates. Once the debt is reduced, the plan is to incorporate some Capital Improvement projects. A target of \$4-5M in general obligations maintains the bond standing.

09 015Y- Pensions and Benefits – Retirement Board sends a bill which is reflected in the prepared budget. The town is only responsible for the town and school payments, and partially liable if the Housing Authority or Wey/Bra default on their payments.

This also includes the estimate for non-contributory retirement (town employees retired prior to 1965 for whom the town is still responsible).

Unemployment benefits- the plan is to maintain all current employees on payroll for the next fiscal year. There are benefits for which the town is responsible, and are generally related to school employment. There are school employees, such as van drivers, cafeteria workers, traffic supervisors and paraprofessionals who only work 40 weeks per year and for whom the town must provide unemployment benefits for the remaining 12 weeks. Furloughed employees are not statutorily entitled to unemployment benefits.

Health insurance – Rates and percentages are real; the budget is revised from current fiscal plus retired teachers. GIC open enrollment numbers will not be known until June. Estimated costs are provided for the various plans and the split. It also accounts for new membership due to rate attraction.

Workers Compensation - level funded; at about the same rate as last year, with the majority of claims in the school department

Employer taxes - level funded; with no change in number of employees, the town anticipates spending same amount on taxes.

Life Insurance – under the PEC Agreement there is a sunset clause phasing out active and retired teachers benefits; no new members. Increase is offset in the health insurance line.

Total Benefit Package, Town and School Employees - \$26M

Ms. Duffy asked the status of the FY09 health insurance. Mr. Wilson noted it is being monitored closely with a report from Human Resources made available on the 15th of each month. Tracking figures are slightly higher, but expected not to go over budget. We are required to keep the trust fund open for a period of 2 years for tailings. Process to analyze claims will begin in June. Costs must be booked ahead and reimbursed. Stop loss is at \$175,000. Claims over this are reimbursed after a six month period. Excess monies in the trust fund can be then applied 2:1 town/employee premiums, in FY12.

Reconciliation is under the aegis of the CFO. Stop loss is an expensive policy, which will decline and the GIC will negate its need after the next two years.

09 027- Revolving Accounts Annual Authorization – In prior years this had little impact on the budget. Several department budgets rely on these funds to supplement their budget. Limits are consistent year to year. Police Department- several accounts are under the sole and exclusive jurisdiction of the Police Chief and cannot be touched by the town. In a drug bust, a certain percent of funds received from the sale of seized property goes back to the community which aided in the bust. Federal and state laws allow these funds to supplement but not supplant and can be used for items not in the normal operational budget. Some of the funds are being used in WPD are for the new radio system- extraordinary overtime.

Three trust funds are under the Mayor's budget and have very specific uses. Community Services account-the Mayor will be utilizing some of the funds from this account for the Youth and Family Services Coordinator salary and the remainder will go to the Drug Enforcement Task Force.

Parks and Recreation Department –the greatest change is to this budget. In prior years, the town raised and appropriated some of the salaries, and then the revolving account for Parks and Recreation reimbursed the town. To eliminate the accounting step, the Mayor chose to follow the statutory scheme of allowing the programs to utilize their own funds. Essentially, on the town side, the town pays for full-time employees or permanent part-time employees. Any of the fees collected for the programs are deposited into the revolving account and may be used for staffing and the expenses incurred on those accounts. Registration period generates \$400,000-\$500,000 per year, and programs will be self-sustaining due in part to a slight increase in some of the fees.

Health Department- On the appropriation side, one nurse's hours have been reduced. The drug free program coordinator salary to be considered later in the agenda will come from the health department clinic line item. The cost for pneumonia immunization clinic fees for senior citizens are reimbursed by Medicare, and those funds go back to the health department to be used for health-related costs.

Fire Donation Account –this account receives about \$3,000-5,000 per year; it is allowed to accumulate for a few years then expended. Under state statute, the revolving account cannot be used to supplant the budget but to supplement it. Equipment with a useful life over five years can be purchased with these funds.

Planning Department- four accounts: Conservation, which pays a portion of the Conservation Agent's salary; 2 planning employees' salaries are derived from the Redevelopment line; CDBG and HOME federal grant applications for administration salaries.

Library Department- not for personnel but expenses; the monies in these accounts supplement the library budget.

There was a brief discussion of revolving accounts and state statutes. Mr. Wilson noted

that those salaries paid with funds from revolving accounts are specifically enabled by ordinance.

09 024- Gift Accounts Annual Authorization – set up the same way as revolving.

09 025- Acceptance of Scholarship Funds-Weymouth High School – the Athletic Council is disbanding and contributing its funds for a scholarship to be at the sole and exclusive jurisdiction of the superintendent of schools. This requires a vote by Town Council to accept. Once approved it follows statutory requirements for accounting.

09 026- Acceptance of Scholarship Funds-Bernard and Mary Merten Family Scholarship Fund – Mr. Merten has two insurance policies with a substantial combined cash value and has named the town the beneficiary, with the stipulation that the benefit be used for scholarship. Also requires action by Town Council to accept.

There was a brief discussion on banking procedures for these funds. The fiduciary accounts each must be segregated and are managed by the CFO. They must be insured by account, and are bid out for interest rates. Thirty banks were solicited in recent negotiations, and the Weymouth Bank offered the best rates locally. The “stress test” for the banking industry to determine a bank’s solvency was also discussed.

09 016- Fire Department Overtime – Reserve Fund Transfer and Re-appropriation – The Mayor seeks a Reserve Fund transfer for overtime of \$30,000 from the salary line item and \$50,000 from the reserve fund line item to the overtime account to cover overtime. Remaining vacation time must be used prior to June 30; shift coverage drives an expected spike in overtime costs.

There was a discussion regarding the current staffing levels, internal analysis to reduce overtime costs, hiring swing shift personnel for coverage, the ages of members and early retirement incentives. Age is not necessarily the factor driving overtime costs; younger members are entitled to 12-week FMLA time.

A MOTION was made by Councilor O’Connor to forward item 09 016 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Mathews. UNANIMOUSLY VOTED.

09 018- Re-appropriation for Street Lights-Department of Public Works – This measure seeks to transfer from the rubbish removal account to the street lighting. Costs are at about \$40,000 per month; they are based on usage. Committee will begin looking at changing out street lighting beginning with the traffic light for a conversion from current to more energy efficient lighting, and selling the energy credits.

A MOTION was made by Councilor O’Connor to forward item 09 018 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Mathews. UNANIMOUSLY VOTED.

09 019- Drug Free Program – Grant funding which covers the salary for the Health Department Coordinator is expiring, but the Mayor seeks to continue her employment to a different setting; the Drug Free program.

A MOTION was made by Councilor O'Connor to forward item 09 003 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Mathews. UNANIMOUSLY VOTED.

Councilor Mathews noted he has a conflict with the 5/7/09 Budget/Management meeting; the CPA meeting falls on the same night, and he will be late to Budget/Management. He requested the committee consider the appointments on the agenda as its first item of business.

At 9:15 PM, there being no further business, Councilor O'Connor made a MOTION to ADJOURN the meeting and was seconded by Councilor Mathews. UNANIMOUSLY VOTED.