

TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE

Town Hall Council Chambers

November 23, 2009- Monday

Present: Kenneth DiFazio, Chairperson
Ed Harrington
Arthur Mathews
Michael Molisse

Not Present: Patrick O'Connor

Also Present: Victor Pap, Councilor
James Wilson, CFO
Maureen Duffy, Town Auditor
Richard Grimes, Chief, WPD
Jeff Richards, Director Licensing & Inspection
Mary Jo Livingstone, Supt. of Schools
Matt Ferron, Asst. Supt. of Schools

Recording Secretary: Mary Briggs

Chairman Kenneth DiFazio called the Budget/Management Committee meeting to order at 6:45 PM.

A MOTION was made by Councilor Mathews to take items **09-128- Fiscal Year 2010 Tax Classification, 09-129- Free Cash Appropriation-Radio Equipment for the Police Department and 09-130-Fiscal Year 2010 Additional Appropriation-Special Education** out of order and was seconded by Councilor Molisse. UNANIMOUSLY VOTED.

09 128- Fiscal Year 2010 Tax Classification

Chief Financial Officer James Wilson reported that the Mayor requests, at the recommendation of the Board of Assessors, a tax shift of 1.55 for Fiscal year 2010 with no residential exemption. This is a decrease from the 1.60 in Fiscal 2009. He then presented Paul Haley, Chair, and Pamela Pantermoller, Principal Assessor of the Board of Assessors to present an overview for the reason for the shift.

Mr. Haley reported that the Board has worked over the last year to determine the fair market value of residential, commercial and industrial properties in town, and how to apportion the overall tax burden for FY 2010. Residential property values have decreased by approximately 8.7%; condos by about 15%; commercial by 3%.

Tax burden shift has been recommended over the past several years by the Board, due to

the belief that commercial property owners are in a better position to manage a larger portion. This year, without a shift, residential property owners would incur about 87% of the burden in the coming fiscal year as opposed to 76% last year.

He reminded the committee that over the last several years there has been a shift approved; from 2005 to 2007- a 75% shift; 3 years prior to that was 47%; prior to that- 37.5%. He then reviewed average properties with and without the shift, both residential increase and commercial reduction. The recommendation of the board is a 55% shift, without a dramatic increase to commercial properties or decrease to residential properties. The average-valued home will incur about a 3% increase, lower value commercial property will incur about a 3.87% increase, and the larger commercial properties will incur a 7% increase, but no one will see a double digit increase. If the shift was the same as last year, there would be a double digit increase.

There was a brief discussion with the committee. Chairman DiFazio noted the reasoning is to try to keep percentage increases similar to last year. The purpose however, is to tax at the full levy limit, or 2.5% of the prior year tax levy (determined by the property values as of January 1st of the previous year), plus new growth. Mr. Haley reminded the committee that Weymouth provides a quality of service that surrounding towns may not. He reviewed the residential rates per thousand for Councilor Mathews. The increase is a concern. Mr. Haley responded that each year the commercial property owners are asked to increase the burden of the tax increase.

Councilor Mathews asked if the committee could be provided with the commercial rates per thousand for surrounding towns, similar to what is provided for the residential property. Ms. Pantermoller noted those rates are published and accessible. The focus has mainly been on the impact of the shift to the residential property tax rate. Mr. Wilson reminded the committee that some of the surrounding towns do not shift the tax burden.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 128 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 129-Free Cash Appropriation-Radio Equipment for the Police Department

Mr. Wilson requested, on behalf of the Mayor, for a free cash appropriation of \$106,000 to replace hardware associated with the Police Department radio system. Certified balance in free cash as of the date of the request is \$3,162,740.

There was a brief discussion on the amount of free cash available since June 2009 and now. The increase is attributable to real estate and personal property collection rates- which Mr. Wilson noted are at 98% despite the downturn in the economy and unfunded positions within town departments. Mr. Wilson reviewed unexpended balances and revenues. He noted that free cash must be documented to the DOR in the annual report.

Chief Grimes and Mr. Richards addressed the request. Several outages in the last few months are negatively impacting public safety. The infrastructure of the radio system

needs to be addressed, but not the individual handsets or mobile units. The repeaters, which accept the signal, amplifies it and passes it along are experiencing failures. The current system is antiquated and it has become difficult obtaining parts for repair. The last outage took days to repair, forcing the system to rely on a standby system which is not reliable. While not an immediate emergency, it will be prudent to look to replace the system before the department is without a working system. Mr. Richards provided a handout to the members on specs for the Radio Solutions CP9100 system. The new system will operate on microwaves, and is compatible with the fire station system, and eliminates the need for a telephone system. A series of 5 repeaters plugged into a bank at the existing equipment in the Fire Department, will provide first line transmission using microwaves and fiberoptics technology. It also will be able to utilize the ten year old existing Quantar System as a backup.

Chairman DiFazio asked if the system could expand to cover Southfield if needed. Mr. Richards responded that it does have that capability. Chief Grimes noted this is ground level infrastructure planning and it will allow for expansion and support for future radio upgrades as well as interoperability within communications systems. He confirmed for Councilor Mathews that the system is compatible with all radio handsets and mobile units currently in operation. Mr. Grimes noted that the purpose is to ensure that the current equipment is more reliable.

Councilor Pap asked if the expansion capability includes video surveillance. Mr. Richards responded that the microwave and fiberoptics will support the transmission of that type of data. Councilor Harrington asked if there will be maintenance costs projected beyond the first year. Mr. Richards responded that maintenance costs will decrease with the elimination of the use of phone line systems and that the system will also forewarn via remote notification of any problems. Councilor Harrington asked if it would be prudent to execute a 5-year maintenance contract. Mr. Richards notes that the contracts are based on annual budgets, but are usually a 3-year cycle.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 129 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 130-Fiscal Year 2010 Additional Appropriation-Special Education

Mr. Wilson requested, on behalf of the Mayor, that \$550,000 is appropriated from free cash into a 0002 fund specifically for payment of out- of- district tuition by the School Department. There are two reasons for the request; the current uncertainty with the current budget crisis and good budgeting practices. Without having completed the year, this line item has undergone a 32% reduction, and it is anticipated there will be further cuts. Secondly, with the current crisis, it has not been feasible to reserve funds for this purpose since 2004. Mary Jo Livingstone, Superintendent, and Matt Ferron, Assistant Superintendent, reviewed the need for the request.

Ms. Livingstone noted that \$6,000,000 is needed each year to pay for the approximately 120 students who are placed in out- of- district programs; earmarked from four funding

sources: \$3,600,000 from the operating budget, \$600,000 in circuit breaker carryover from the previous year, \$500,000 from the federal stimulus funds and \$1,900,000 from current year circuit breaker reimbursement. The budget was built on a 55% reimbursement rate; currently it is running at 40%, with a gap of \$430,000. Anticipated deficit will be about \$550,000 if the Governor's anticipated 9C cuts hold true in January.

Councilor Pap asked if best case scenario what would happen if there are no cuts. Ms. Livingstone responded that surplus would remain in a revolving account carried over to the next year for the specific use of paying out- of- district tuition.

Chairman DiFazio asked Mr. Wilson if free cash from a previous year had ever been used to cover shortfalls in the school department budget. Mr. Wilson responded that it had been done for a similar reason in a prior year. Chairman DiFazio asked if essentially the committee is seeking to increase the school department budget. Mr. Wilson responded that the increase is to a line item of the school department budget, but that a corresponding decrease will then be made to the supplemental budget.

Councilor Pap asked if the increase in special education programming within the system and the resulting decrease in out-placement of students effects the budgeting process over time. Ms. Livingstone responded that tuition increases are negating any reduction in the number of students placed.

Councilor Harrington requested further explanation and asked if this \$550,000 would be school department money. Ms. Livingstone responded that it would be in a revolving fund and would count toward net school funding. In the circuit breaker account, the department received reimbursement from the state and this can be used to pay tuition. This will be managed in a similar manner.

Chairman DiFazio noted that essentially the town would lose \$550,000 from the free cash account that could have been used elsewhere.

Councilor Mathews commented on the manner in which the state balances its budget on the backs of the cities and towns.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 130 and was seconded by Councilor Molisse. VOTE CARRIES 3/1 (Councilor Harrington – NO).

09 126-Fiscal Year 2009 Snow Removal Deficit

Mr. Wilson reported that FY09 closed with a deficit in the snow removal account. The Mayor seeks to raise and appropriate the sum of \$373,798 from free cash. This must be done as first order of business in order for the tax rate to be certified. This is the last of the measures to pay the \$1.3M snow removal costs from FY09.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 126 and was seconded by Councilor Molisse. Councilor Harrington asked how much of the \$3.2 free cash will remain with all measures under

discussion at this meeting. Mr. Wilson responded that slightly less than \$1.3M will remain in free cash. Councilor Harrington responded that some of the balance is due to unfunded vacancies within departments, and asked if it is the intent to continue to unfund positions next year. Mr. Wilson responded that the budget was reduced from FY09 to FY10 and positions were removed, but that the next year is uncertain without knowing what the next round of 9C cuts in January will be. UNANIMOUSLY VOTED.

09 127-General Government Supplemental Fiscal Year 2010 Appropriation

Mr. Wilson reported that the Mayor seeks to reduce the budget approved by the Council in June by \$957,457-- and to accomplish it in two phases; to decrease by removing the FY09 snow removal deficit from the budget, \$450,000 from the school department budget, \$100,000 from medicare insurance, \$50,000 from unemployment benefits and \$26,366 to cover the balance from the reserve fund. It exceeds the number of reductions necessary except that there is a need to increase the appropriation to the special assessments from the state to balance. Removing the snow removal deficit makes money available. Medicare is level funded from one year to the next; due to staffing decreases less funding is necessary. Unemployment compensation was budgeted based on a higher projection that was realized. Attached to the measure document is a copy of the DOR's new sheet, which Mr. Wilson reviewed for the committee. Under the new DOR guidance, in each category the estimated FY10 revenues cannot exceed FY09 actual revenues except in real estate, personal property or CPA taxes without written explanation and supporting documentation. Mr. Wilson then reviewed collection rates for rubbish removal. A brief discussion followed about the town's collection rates, and absorbing cuts without the use of free cash. Other towns are dealing with negative revenues. Conservative estimating, not filling positions and high collection rates are helping the town weather the current fiscal crisis. Demographics are playing a part also; an aging population which pays its tax bills in cash.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 127 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 131-Appropriation for a Sale of Tax Title

Mr. Wilson requested, on behalf of the Mayo, an appropriation of \$7,500 for associated costs to begin the process of tax title sale. Public notice is required and legal and recording fees to the Registry of Deeds will be necessary. While the cost is not known at this time, it has not exceeded \$7,500 in the past. Councilor Mathews asked if the Council will be provided with a list of the properties. Mr. Wilson responded that the sale of tax title does not require Council action. These are foreclosed properties and are subject to statutes. Councilor Mathews asked if there are properties which have come under town ownership which will be auctioned. Mr. Wilson responded that there are three; Randall Ave. (2) and the Grange on Front Street.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 131 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 132-Fiscal Year 2010 Additional Appropriation for Snow Removal

Mr. Wilson requested, on behalf of the Mayor, that the sum of \$500,000 in fund 0002 be set aside for anticipated snow removal expenditures beyond what has been appropriated. Just over \$300,000 has been appropriated; \$18,000 has been expended for equipment repairs and materials. The purpose of the set aside is to avoid carrying a deficit into the future fiscal year. Unused funds at the close of the fiscal year will fall to free cash.

Councilor Harrington asked if the current method, which is to carry snow removal deficits into a future year will continue after the current crisis period. Mr. Wilson responded that it is the intent in the future to try and hit the appropriation. It makes fiscal sense to budget conservatively.

Councilor Mathews noted his concern with the snow removal equipment and fleet which is aging. Mr. Wilson noted that once there is some stability within the state, it is the intent of the Mayor to consider replacing equipment with the use of available free cash and not rely on the cost of bonding to accomplish this.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 132 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 133-Free Cash Appropriation for Health Insurance

Mr. Wilson reported the Mayor's request for \$375,000 from free cash to fund unpaid invoices from the old health insurance fund. In June, the consultants estimated \$1,200,000 - 1,300,000 to complete the tailings from the prior insurance claims; \$1,500,000 was already set aside; however, in anticipation of the change in health coverage and higher deductibles, many subscribers opted to have procedures done before the changeover in plans. This resulted in actual expenditures of \$2,000,000. The \$375,000 is an estimate as reimbursements are pending. Vendors have a year to pay on claims, and the CFO is required to keep the account active for a period of two years.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 133 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 134-Rescind Bond Authorizations-Town Form of Government

Mr. Wilson requested on behalf of the Mayor that the bond authorization for town form of government is rescinded. At the request of Councilor Lacey, the Bond Council advised the Town Council that this bond should now be rescinded. It has been closed out and no further monies are required. There were two old projects on the bond, an old High School Project that had been re-authorized under an old Article and a new measure, from the old form of government to the new city form for \$1,400,000, and Article 27 - water from November 1998 Special Town Meeting for \$533,604. Once these two items are cleared from the books there should not be any other articles at this point and for several years.

A MOTION was made by Councilor Mathews to recommend favorable action to the full

Town Council on item 09 134 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 139-Community Preservation Committee Supplemental Appropriation

Mr. Wilson reported that the CPA funding came in from the state higher than anticipated. There is a decrease in the surcharge; up to fiscal 2010 the town was required to budget 100% of the receivable. Under the FY10 new rules, the town is allowed to reduce the amount by the amount of the abatements and exemptions. The town is now able to budget reasonably at \$529,661 instead of the full \$536,000. The state match originally was budgeted at \$157,000 and will now be at \$184,000. Total increase in the budget is \$20,248. The committee reviewed its budget and made some adjustments, mainly with the reserve items and in accord with the statutes. Increases were made to accommodate the statutory 10% set-asides within the mandatory categories, and the 10% permissive set aside for recreation. The total increase in the revenue is \$20,248 and the total budget is now \$720,062.

A MOTION was made by Councilor Mathews to recommend favorable action to the full Town Council on item 09 139 and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

09 111- External Audit Proposals Fiscal Year 2010-2014

Ms. Duffy reported that she was requested at the Committee's last meeting to send out an addendum to the five firms initially solicited for audit proposals. Councilors O'Connor and Harrington expressed concern whether there are cost-savings areas that could be added to the proposals. Subsequently, Ms. Duffy reread the proposals, and in particular, the proposal for the firm she was recommending--Malloy, Lynch, Bienvenue. It addresses areas of cost savings, in particular that additional hours annually were budgeted into their proposal, to provide additional procedures as required by town management, and mutually agreed upon. Ms. Duffy provided the committee with a copy of the text of her email response to Councilor O'Connor.

She also noted that the firms stated that if their work takes less than expected, they would only charge for the work performed at an hourly rate. This provides the town with some incentive to be as efficient as possible and to complete what it can in-house, to work with the town throughout their engagement to help the town be as efficient as possible which could result in additional savings. This satisfied what Ms. Duffy thought the concerns were, but she is not the one sending the request. She asked if it is still the request of the committee to send an addendum.

The Chairman noted that time is not of the essence for this item, and as this was at the request of Councilor O'Connor who is not present at this meeting, the committee should table the item until the return of Councilor O'Connor.

There was a discussion that followed. Councilor Mathews addressed the time period of the proposal contract. If we are going in a new direction and going with the low bidder, he suggested a three-year contract instead of five. The existing contractor was originally a

three-year bid with one-year extensions. Councilor Mathews is concerned with being locked in to a five year contract if the town determines it is not satisfied after a year.

Ms. Duffy requested some direction if the item is being tabled; namely should she send out the addendum. Councilor Mathews noted some of the proposals are time-sensitive. Ms. Duffy noted she has contacted some of the vendors, who are willing to extend their proposal deadlines.

Councilor Harrington noted to Mr. Wilson that this audit is a requirement. He asked Mr. Wilson if there is anything more that can be gained.

Mr. Wilson reviewed the staffing changes the town underwent in 2005 and the changes that were enacted in the manner of reconciling with the Treasurer and Collector and controls were upheld. Connor & Drew were helpful with a workflow procedure. Finance will be taking over requirements that were typically human resource functions and maintain total control over it. MUNIS must also accommodate workflow issues. GASBY45 is also upcoming (post-retirement benefits and unfunded liability). All will need to be incorporated. IT and finance will also segregate functions and reconcile quarterly. Efficiencies could result, but so could inefficiencies. Reconciliation between parties will be time consuming. Mr. Wilson would like to be able to contact the auditor throughout the year.

Mr. Wilson also noted that whatever firm will come in will first ask what are the policies and procedures are, what changes have been made in the manner of operation, and who has what controls before requesting a balance sheet. These first three tiers initiates the analysis.

The accounting reports are essentially written for the bonding authority and what's in the report will have a direct impact on the town's bond rating and the ability to bond.

There will be a learning curve with any firm that comes in for the first year. Mr. Wilson noted that the first two weeks are spent strictly on auditing purposes and will likely be longer with a new firm. The auditors generally come in June, while the staff is trying to close books on one year and begin the next year's process and it can be a collision course.

Councilor Harrington asked if it is too late to do it this year, and asked if administration would consider in future years what additional work can be gleaned with the intent of saving the town money and making it run more efficiently.

Chairman DiFazio asked if the intent of the paragraph recommended for an addendum could be conveyed to the selected firm when it comes in June without having to send out the addendum. Mr. Wilson responded that the addendum is a formal piece of the process.

Item 09 111 was tabled to a future meeting by consensus of the committee.

At 8:40 PM, there being no further business, Councilor Mathews made a MOTION to

ADJOURN the meeting and was seconded by Councilor Harrington. UNANIMOUSLY VOTED.

Respectfully submitted by Mary Briggs

Approved by Councilor DiFazio-Chairman of the Budget/Management Committee