

**TOWN COUNCIL MINUTES  
BUDGET/MANAGEMENT COMMITTEE  
Town Hall Council Chambers  
March 15, 2010 - Monday**

Present: Kenneth DiFazio, Chairperson  
Patrick O'Connor  
Michael Molisse  
Michael Smart

Not Present: Arthur Mathews

Also Present: James Wilson, CFO  
Maureen Duffy, Town Auditor  
Kevin Carnes, O'Connor & Drew  
James Clarke, Director, Planning and Development  
Brian McDonald

Recording Secretary: Mary Briggs

Chairman Kenneth DiFazio called the Budget/Management Committee meeting to order at 6:30 PM.

A MOTION was made by Councilor Smart to take the last item on the agenda (Fiscal Year 2011 Preliminary Budget Discussion) out of order and was seconded by Councilor Smart. UNANIMOUSLY VOTED.

**Fiscal Year 2011 Preliminary Budget Discussion**

Mr. Wilson addressed the committee to provide an update on the status of the Fiscal 2011 budget in light of news from the state. He noted that as of Friday, the town is expected to endure further reductions. It was initially to be only on the general government side, and the Mayor is currently considering further reductions in non-school related items as a direct result of the requirements to meet net-school spending. Mr. Wilson received word from the Senate Appropriations Committee over the weekend that there would be a further \$1,000,000 reduction in state aid to the Town of Weymouth; a total \$2.2M reduction. The Mayor has met with Department Heads to begin considering dealing with these further reductions. Revenues available to the town in FY 2011 will be less than what was available to the town in FY 2008. At the same time, the difference between health insurance costs in FY08 and in FY11 will be about a \$2.2M increase. This will be the driving force in the FY11 budget. The GIC two weeks ago announced an 18-24% increase in various policies, so that the overall impact to the town's budget will be a reduction between \$16,000,000 and \$17,900,000. FY 10 will meet appropriation. The \$1.8-1.9M increase in FY11, where there are no increases in revenues, must be absorbed

by all departments. There should be further changes as the budget crafting process continues, until the budget is presented on April 1<sup>st</sup>.

Chairman DiFazio asked for an update on the net school spending. Mr. Wilson reported that he has been comparing numbers with the Superintendent, and they were not consistent. The town can request, but has no authority to change, net school spending; it is solely a function of the School Department and the Department of Education. Last week, he requested the School Department request O'Connor & Drew, which performed the end of the year audits for the school department, review the numbers, specifically in two areas; the retirement allocation and health insurance costs. Both of these items are directly attributable to the general fund expenditures. The town is permitted to utilize these funds for net school spending. There is a discrepancy in what is shown on the net school spending report and Mr. Wilson's findings. If the CFO's findings are upheld, and there is a discrepancy, the School Committee will then have to seek to amend the end of the year report. If this all transpires, there will be a decrease in net school spending requirements for both FY10 and FY11. There still will be a deficit, but nowhere near what was projected.

Last May the Council held a workshop regarding the budget and the subject of net school spending and whether it would be met was discussed. Net school spending is a function of actual expenditures. As FY09 was closed and the information was compiled which was forward to the Department of Education, it became apparent that there was a difference between what was expended versus what was required. As the summer went on, the numbers became clearer and the CFO saw a deficit. Legislature provided for a one-time waiver that was applied for in September. In mid-January, the town received notice that the waiver was denied. At that point, the impact was realized. Mr. Wilson then reviewed the past several years' reports with the Superintendent and found two areas which did not reconcile; retirement contribution and health insurance. The formula changed in 2008 which affected the numbers in FY10. The town was unable to meet the net spending in FY10 and clearly won't in FY11. Mr. Wilson's findings were submitted to the School Department, and will be addressed with both the Superintendent and O'Connor & Drew.

#### **10 009-Fiscal Year 2009 Financial Statements and Management Letter**

Chairman DiFazio noted this item was referred to the committee on February 1, 2010.

Kevin Carnes, senior partner of O'Connor & Drew and Town Auditor, Maureen Duffy presented a brief overview of the external audit of the town's financial statements for fiscal year 2009, highlighted the management letter and answered any of the committee's concerns. It was noted that this is totally exclusive of school department finances.

Mr. Carnes reminded the committee that due to turnover and change in personnel and positions, the timeliness of some items was delayed in the FY08 audit. This was not the case with the FY09 audit; it was fairly smooth. The management letter indicates things now track similar to the years prior to FY08, with cash reconciliation and closings done in a timely manner.

He then highlighted some comments from the management letter. There are two types of statements; GASBY34 and Fund Balance Accounting statements. From the GASBY34 statement, the unfunded pension obligation needs to be accrued; \$11,000,000, which puts the town in a deficit position. The unfunded pension obligation currently is about \$21,000,000, which is on the old books. There is a \$4,000,000 deficit with a \$6,000,000 net asset.

Last year the town bonded the water treatment plant and for some school projects; there is currently about \$31,000,000 in short term debt.

From the management letter perspective, there are a few comments to note, none of which are significant. The first refers to internal audits. Within the Policies and Procedures Manual, there are audits required in specific regular cycles, particularly with cash receipts and disbursements. With the transition from a full-time to part-time auditor position, there is a disconnect between getting the audits done and what the policy procedure happens to be. The recommendation is to either change the Policy and Procedures Manual, or change the position of the internal auditor to a degree, to allow for sufficient time in order to complete timely audits. Ms. Duffy agreed; cutting any position from full-time to part-time will affect the position. The duties and responsibilities of the internal auditor were specifically crafted for a full-time position. She agreed the Policies and Procedures Manual should be looked at; it hasn't been reviewed in ten years. There are items that no longer need to be there, and there are other items that the Council might prefer to prioritize.

Mr. Carnes noted the second comment regards maintenance of personnel files. In testing the payroll cycle, there were specific required forms that were missing from some of the files, particularly I-9's and W-4's. There was not a significant amount missing, but the town needs to pay better attention to this and ensure that the files are updated.

The third comment refers to the agency fund for performance bonds; the recording of interest on these funds needs to be done on a regular basis.

Positive comments include that cash reconciliation and monthly closings are being conducted in a timely manner and on a regular basis; a recommended audit of the procedures manual was conducted, although not completed at the time of the report; there were no issues with document scanning or fixed assets.

The final portion of the report is a follow up to last year's comments, all of which have been resolved. Overall, there were no major issues and no flaws in the system.

Chairman DiFazio asked if a similar audit and report are prepared for the School Department. Mr. Carnes responded that it is different for the School Department. They are required to prepare a report to the DOE. The content of the report is not audited, but the process of the makeup of the report and how it ties in to the general ledger is reviewed. School receipts are included in the disbursement and cash reporting cycles of the town's audit. They are also audited with an A-133 report which represents federal

grant funds, and a copy is provided to the Council.

A MOTION was made by Councilor O'Connor to accept the report, item 10-009, and recommend that the Town's Auditor review the Policies and Procedures Manual pursuant to Comment #1 in the O'Connor and Drew Financial Statement, and was seconded by Councilor Smart. UNANIMOUSLY VOTED.

**10 010-Reserve Fund Transfer - Special Election Costs**

Mr. Wilson requested, on behalf of the Mayor, a reserve fund transfer in the amount of \$13,319.07 to fund the cost of the special election in January. The balance in the Reserve Fund at the time of submittal is about \$503,000.

Councilor O'Connor asked if the state is planning to reimburse cities and towns. Mr. Wilson responded that the state has reimbursed a portion; \$9800, but by law, the reimbursement must go to the general fund and is not available for re-appropriation here. Kathy Deree, Town Clerk's office, further clarified that the amount requested was for personnel overtime costs associated with the election.

A MOTION was made by Councilor O'Connor to recommend favorable action to the full Town Council on item and was seconded by Councilor Molisse. UNANIMOUSLY VOTED.

**10 010A-Reserve Fund Transfer - Part-Time Personnel**

Mr. Wilson requested, on behalf of the Mayor, a reserve fund transfer in the amount of \$2,000 to fund an 8-week, part-time position in the Town Clerk's office. Franklin Fryer and Kathy Deree from the Town Clerk's office explained the need for the position, which is to fill in a gap while a current employee is out on medical leave. The leave is expected to end in June.

A MOTION was made by Councilor O'Connor to recommend favorable action to the full Town Council on item and was seconded by Councilor Molisse. UNANIMOUSLY VOTED.

**10 011- Deed in Lieu of Foreclosure – Thicket Street**

Mr. Wilson requested, on behalf of the Mayor, that the town accept a deed in lieu of foreclosure for the property known as zero Thicket Street. Under the prevailing statute in effect currently, and the DOR's internal release guidelines, the town is permitted to accept a deed rather than go through the foreclosure process and incur costs, under certain conditions. The first is that the assessed value is greater than the amount due. The second is that the title is clear; that there are no imperfections, and that if the town accepted the deed, it would be owner free and clear of any encumbrances. Solicitor Lane has certified the title.

Chairman DiFazio asked what the town intends to do with the property. Mr. Wilson responded that most of this land is watershed, and will remain as conservation. Mr.

Clarke reviewed the parcel for the committee. It was a part of the Bretonwoods cluster development in the 1980's and it was never intended to be developed. The committee reviewed the plot plan. The parcel is 3-5 acres. Chairman DiFazio noted that by taking title, the town has lost out on tax revenue. Mr. Wilson responded that the town also would not expend the legal costs involved in foreclosure proceedings in land court. There are no structures existing on the site and the assessed value of the property is \$174,300, which has been certified by the DOR.

A MOTION was made by Councilor O'Connor to recommend favorable action to the full Town Council on item and was seconded by Councilor Smart. UNANIMOUSLY VOTED.

**10 012- Appointment to the Board of Elder Services – Dorothy Canniff**

Ms. Canniff was invited to introduce herself and her reasons for her interest in serving on this board. Ms. Canniff lives on Madison Street, and is a senior citizen and interested in matters concerning seniors. She volunteers at the senior center, church, works at Carney Hospital and has submitted her resume for consideration.

A MOTION was made by Councilor O'Connor to recommend favorable action to the full Town Council on item 10 012 and was seconded by Councilor Molisse. UNANIMOUSLY VOTED.

**10 014- Sale of Town-Owned Land (Randall Avenue) – Establish Minimum Bid – necessitates Executive Session**

Mr. Wilson reported that because this item, under the Open Meeting law, is a required exemption; the exemption is for the value of the property subject to auction. It will essentially be establishing a minimum bid for this property for a land auction that will take place at the end of April, and the town certainly would not want the minimum bid to be disclosed. It will be released once the auction is completed. The administration requests Executive Session for purposes of determining the minimum bid for the specific parcel.

At 7:15 PM, a MOTION was made by Councilor Smart to enter into Executive Session to discuss and set a minimum bid for the parcel outlined in item 10 014 and returning to open session only for the purpose of adjournment and was seconded by Councilor O'Connor. UNANIMOUSLY VOTED.

At 7:35PM, Open Session resumed.

**Adjournment**

At 7:35 PM, there being no further business, Councilor Smart made a MOTION to ADJOURN the meeting and was seconded by Councilor O'Connor. UNANIMOUSLY VOTED.