Finance Committee

3/21/2017

Meeting called to order at 6:31

Mr. Heffernan stated that he hopes to conclude their pre-deliberation work Thursday night, but pointed out a Special article that would require their attention. If it needs to be done after Thursday, he recommends they do it on the 6th, just before deliberation. Mr. Heffernan then set the schedule for tonight’s meetings.

**Reserve Fund Transfer**

Jason Mammone and Andrea Terkelsen Presenting.

This calls for 1,535 dollars to be transferred to temporary substitute funds. The parks and rec department received money from Algonquin gas to move practices from their normal fields to leave room for Algonquin gas to perform pipeline upgrades. However, they cannot spend that money without the Committee’s consent.

Mr. Mammone noted that this money has already been spent, and they are making the request as soon as they can, rather than waiting for the end of the year and asking for the money all at once. Ms. Carney pointed out that it can be difficult for the committee to adequately address these requests when they are making the requests after the money has already been spent. Mr. Roberts asked why the 25,000 dollars from the gas company was not immediately available to Mr. Mammone.

Ms. Terkelsen explained that Mitigation money gets sent into the general fund instead of any budgeted fund. She went on to explain that the extra money is necessary to cover costs beyond the budget, since the relocation was not accounted for when the budget was made.

The committee raised various questions as to why such a small amount ($1,535) was being asked for. Mr. Mammone noted that this is because this is the money he spent on dealing with the necessity to move fields.

Mr. Heffernan said that the committee would prefer to have received an estimate ahead of time and approved an estimated quantity of money, rather than approve the expenses after the fact. He asked how late they could make this decision. Ms. Terkelsen informed him that they have until July 15th to make their warrant closeout deadline.

Mr. Preston said that budgeting is easier when estimates are made ahead of time. Mr. Mammone agreed. At Mr. Preston’s request, Mr. Mammone estimated they would require $6000 total for the rest of the year to continue moving teams from one field to the other

Mr. Preston moved to amend the figure of 1535 to the figure of 6000 dollars.

Mr. Lindemann seconded that motion.

Motion passes 6-2, Sue Carney and Cecilia Butler opposed, all others in favor. Kevin Hughes not present.

Ms. Terkelsen asked for clarification on the usage of the money accounted for in the vote.

**Article 8 Line Item Transfers**

Andrea Terkelsen Presenting

This article contained several transfer within-budgets, moving funds from one line to another.

1st Transfer

From Police Department Salary line to cover office help needed due to extended temporary leave in the amount of 8060 dollars.

Ms. Carney asked how many clerical assistants there were. Ms. Terkelsen clarified that it is only 1.

2nd Transfer

School facilities want to transfer money from utilities to cover facilities clerk position. This is outside of the regular school budget because it is in the facilities category.

3rd Transfer

School facilities want to cover increase in maintenance supplies costs in the amount of 15,000 dollars by moving budget from utilities to supplies. They also want to move 30,000 dollars from utilities to electrical repairs to cover outside electric contractors. The total is 45,000 dollars.

Mr. Lindemann noted that this should be two separate transfers. Ms. Moroney agreed.

4th Transfer

Transfer from a surplus on police salary & wages to cover police overtime in the amount of 25,000 dollars, and medical services in the amount of 5,000 dollars.

Mr. Preston asked if they are going to need the 5,000 extra dollars in the years going further. Ms. Terkelsen clarified that this was mostly due to injuries, and that these 1-11F costs were going to be a different line item in the future.

Mr. Preston noted that he was curious because the other two line items involved were fairly stable. Mr. Kern explained that these 1-11F costs can vary pretty wildly based on medical needs.

Ms. Carney asked what police the overtime budget was. Ms. Terkelsen said that it is 650,000, before this transfer.

5th Transfer

The Fire Chief is transferring 50,000 dollars in surplus Fire Department salary to be transferred to Fire Overtime. Ms. Carney asked what the original Fire Overtime appropriation was. Mr. Kern estimated that it was in the low 400,000 range. Ms. Baker noted that the Fire department has a many vacancies.

Mr. Heffernan clarified that the vacancies were creating the surplus, not a change in quantity of positions. Ms. Carney asked for clarification on where the surplus was coming from. Ms. Baker explained that this is due to some injured, some newly retired, and some sick employees.

Ms. Carney noted that she feels that some employees use their sick/injured leave and then retire once that sick time is elapsed. She believes that this is causing staffing difficulties. Ms. Butler asked Chief D’Entremont how many employees he is down in the police department. Ms. Baker noted that there are 8 vacancies in the fire department.

Ms. Terkelsen noted that in FY16, $494,000 was spent on overtime. In FY17, $416,000 was budged and more was added as the need arose. Chief Spullane estimated in FY18 that he will only need $390,000 for overtime.

Ms. Fay asked for clarification on the previous transfer, if the budget was planned to increase. Ms. Terkelsen clarified that it is not.

Mr. Lindemann asked if they were confident a person was just using up their benefits, then retiring, would they hire people to replace them to avoid overtime costs. Mr. Kern noted that the individual cases are extremely difficult to predict, and that absolute confidence is almost impossible to have.

Mr. Roberts pointed out that he has had conversations with Chief Spullane in the past. Chief Spullane informed him that this has been an extremely difficult year for the fire department due to high levels of injury, plus a delay to the graduation of the Fire Academies.

Ms. Butler asked if the police department has similar issues to the fire department due to academy schedules. Chief **D'Entremont** explained that it used to be very difficult, but the police academy has become a lot more stringent about its scheduling and graduation times.

6th Transfer

Transfer money from town facilities budget to the Electric Utilities to Electrical Repairs budget, for the same reason as the previous electrical transfer.

Mr. Heffernan clarified that these votes would not be made until after deliberation, and there were no further questions.

**Article 2 Changes to Personnel By-Law**

Nancy Baker and Miriam Johnson presenting

Ms. Baker explained that this article enacts changes in how some employees are quantified by our planning. We moved from having a Town Administrator to a Town Manager. An edited document showing all the changes to the by-law was handed out.

Ms. Johnson explained that the by-laws contained wording that gave employees 2 personal days. The contracts were updated to give 3 personal days per year. These changes were not made to the by-laws, so that has now been rectified. This will not result in any actual change. Ms. Johnson explained that managers hired into the management group will now be offered 3 weeks of vacation instead of 2 weeks of vacation in negotiations. Ms. Johnson explained that in her review of hiring trends, the managers were always bartering up to 3 weeks anyway. Ms. Butler asked if we had difficulty hiring non-management employees at just 2 weeks of vacation. Ms. Johnson replied that we did not.

Mr. Preston asked if all non-management employees began at 2 weeks of vacation per year, and Ms. Baker clarified that they do.

Mr. Heffernan asked if this was a by-law, and if it would be reviewed by the by-law committee. Ms. Baker explained that while they refer to it as a By-law, it is now a “standalone personnel wage plan”.

Mr. Lindemann asked how our town stands compared to neighboring towns. Ms. Johnson explained that while she has an opinion and some information, she has not done rigorous comparison to neighboring towns.

Mr. Lindemann asked when she planned to evaluate our hiring plans. Ms. Johnson explained that without encountering warning signs in the form of difficulty hiring or significant employee complaints, there is no cause to.

Mr. Heffernan asked about the quality of candidates that have been coming in. Ms Johnson feels we have been receiving plenty of qualified applicants.

Ms. Butler asked if Ms. Johnson handles HR for our schools. Ms. Johnson replied that she does not.

Concluded at 7:29

**Article 11 (Appropriation From Special Purpose Stabilization Fund(s))**

$1,696,445 transferred from Robin Reyes to the general fund for debt service. No questions from the committee.

**Article 12 (Reducing Tax Rate)**

James Kern presenting.

Mr. Kern handed the committee paperwork containing information on how they could reduce taxes. He explained that this paperwork is a small segment of a large spreadsheet, representing a summary of what the options are for free cash. Mr. Kern noted that money from free cash is typically used to reduce tax rates in times of sharp increase of costs. He explained that the 5.3 million required to close out the unfunded liability in the pension. This would represent a savings of 3 million/year for up to 3 years when compared to not closing out that debt.

Mr. Preston asked how we could be saving that much money if our current Unfunded Liability is only 5.3 Million. Mr. Kern explained that this may be a better question for the accountant who ran those numbers.

Mr. Kern explained that other option for free cash is paying off excluded debt for schools. Mr. Preston asked if we had the rates on the debt service payments we make. Mr. Preston pointed him to paperwork that had been handed out.

Mr. Kern explained that there are two additional options, other than paying these sums off completely. He explained that in the pension liability, they could pay less than 5.3 million, putting us above the 90% paid off point, which allow us to renegotiate pension costs. This would save some money, and can be less difficult for the average person to understand. However, negotiations with the pension group (PERAC) have to be done on a case-by-case basis, so we cannot be certain of the outcome of those talks.

Mr. Lindemann asked what we profited from being as far ahead as we are on pension payments. Mr. Kern explained that by paying off our unfunded liability we gain increased control over our financial destiny, as it were.

Ms. Carney noted that since Mr. Kern would be meeting with an actuary, she would prefer an informed suggestion from him. Mr. Heffernan explained that last year, FinCom told the town meeting they planned to pay off the entire pension.

Mr. Heffernan pointed to a tax levy rate increase upcoming in FY18, and worried that the town might not respond well to that, since they were told that paying off the pension fund would save them money.

Mr. Preston noted that the community may understand the financial advantage of paying this pension off, but that the average citizen may feel that they simply don’t have the money to be giving this money to the government. He noted that lack of pushback from our citizens may have led to a creeping increase in tax levies.

Ms. Carney said that for the past few years, we have been raising the tax levy by very small amounts. This was done by being very conservative with the understanding that costs would increase in the future. Mr. Kern noted that we actively chose not to smooth increases out, instead giving the citizens very low taxes for a few years. The committee noted that community expectations may not be prepared for a higher tax rate increase this year. Ms. Carney advocated for more conservative spending to keep costs down, rather than using free cash.

Mr. Lindemann noted that from a public perspective, tax increase is tax increase, regardless of the previous year.
Mr. Heffernan asked how much needed to be paid in order to bring us over 90% pension funding. Mr. Kern explained that he needs to meet with the actuary in order to be certain where we are, but he is confident we are already over to 90%.

Mr. Kern asked how the public would respond if they decided to change their plan that they had previously announced.

Ms. O’Donnell asked if a worksheet could be provided that had information about different free cash scenarios. Mr. Kern said that a large deciding factor will come from his meeting with the retirement board and PERAC next week. He will be able to run through several scenarios with them and return with more solid information.

Mr. Preston asked if the actuary had been accounting for post-1999 hiring, when pension contribution requirements had changed. Mr. Kern explained that he was definitely accounting for those. Mr. Preston noted that pay over 30,000 dollars a year is paid into the pension at an 11% rate rather than the 9% that is now standard.

Mr. Heffernan asked Mr. Kern when he would feel sufficiently informed to discuss these plans at length. Mr. Roberts noted that given the complexity and importance of this situation, he would be more than willing to come in and meet after Mr. Kern felt more confident.

Mr. Heffernan noted that some of our benchmark towns are in significantly worse situations than us, financially.

Ms. Terkelsen noted that we are putting 1.6 million dollars into OPEB each year as well.

Ms. Carney noted that some citizens who are disgruntled about taxes are not accounting for the fact that taxes are raising the property values in our town.

Ms. O’Donnell asked if the smoothing of the tax increase(due to health insurance costs) was a 1-time expense. Mr. Kern noted that it is a complex situation, but that he believes it will be a 1-time expense. Changes in their health insurance group are upcoming that should save the community money and help some employees while costing others. Ms. Terkelsen explained that regardless of its attachment to health insurance costs, at the end of the day this 2 million dollar expenditure is a tax levy reduction. Mr. Preston warned that this creates a pressure in the future to keep numbers comparatively low.

Mr. Lindemann asked if, during deliberation, FinCom will have the ability to change budget values in some of the articles.

Mr. Heffernan explained that yes they can do it by line, or just break it up into department.

Mr. Preston asked hypothetically if the town voted to decrease every budget by 1%, if the department heads had the ability to express their discretion in decreasing the budget.

Mr. Kern explained that technically, line items are all voted individually at the town meeting. This means that the town has to make a decision on each item individually.

Mr. Preston noted that this is an ineffective system, because it requires the uninformed to make the decision on where to make department cuts, which might not be correct.

Mr. Kern told the committee that it could be helpful for the committee to contact the department they want cuts in ahead of time so they could get information on how to change those line budgets.

Ms. Terkelsen explained that they can do transfers after the fact to move money around within their budget, after the fact.

Mr. Preston explained that he is hoping to make budget cuts, but that it is frustrating that the system makes it difficult to do something like tell a department to cut 1%.

Ms. Carney noted that she feels the budget should not be viewed incrementally, but rather as a needs-based system.

Mr. Kern explained that there are two schools of thought to reducing tax levies. He noted that the important thing is to keep an eye on what parts of the budget can actually be changed, because many segments of the budget are contractual, so they cannot be changed.

Ms. Carney noted that since many of these contractual items are already negotiated, she feels that these values, such as travel values or uniforms costs, should be reimbursed rather than given out in a lump sum.

Ms. Terkelsen explained that some of these things are restricted by IRS regulations, though they would rather reimburse they cannot.

An audience member explained that there used to be a personnel board. He explained that he has confidence in Mr. Kern to make those negotiations wisely. He pointed to the example of Framingham, which lost plenty of experienced employees recently.

Ms. Fay asked what the major drivers were behind the 5% tax levy increase. Mr. Kern explained that the first major increase was a 1,000,000 dollar increase in debt services, due to programs that the town voted for. The other major cost increase was Health Insurance. Because of group negotiations, these cannot be re-negotiated every year. Ms. Fay expressed that the committee has responded positively to expense to increase the welfare of the town, such as the proposed funding for Davis field. She cautioned that these things come at a cost.

Mr. Heffernan clarified which items in the budget cannot be touched by the committee.

Ms. Carney asked if we would be locked into our health insurance costs for the next 3 years.

Mr. Kern explained that health insurance negotiations have not been undertaken yet.

Ms. Carney noted that the departments are paying 20% of their health insurance costs, and she feels that moving to 25% employee costs would have been wise.

Ms. Carney asked for a list of what towns are in the West Suburban health group (with us) and what employee contribution percentages are in those towns.

Mr. Kern noted that he felt that he took a different approach towards saving money on health insurance benefits.

Ms. Carney raised objections to the current approach towards health insurance benefits for employees.

Mr. Heffernan asked the committee to send him any requests for information that they felt were necessary to make a determination so he could procure the information for them.

**Article 13 (Appropriation for ECEC)**

This article is to cover estimated costs for designs for external road construction sign work. Mr. Roberts noted that these costs have been approved by the planning boards and have been created in response to school committee meetings where the public expressed concern with traffic caused by this construction. Mr. Roberts explained what specific action was accounted for in this plan.

Mr. Lindemann noted that during the planning of this project, claims were made that this project would not negatively impact traffic. He explained that, as someone who currently drives in that area almost every morning, the area in question d is a high-danger traffic area due to the nearby state route. He cautioned that this could create high-speed traffic.

Ms. Carney asked for an estimate on the current building costs for this project. Mr. Kern estimated $250,000. She noted that a new path that is part of the plan may actually solve a lot of the problems for pedestrians or bikers. She also noted that it is difficult to make decisions about these “planning costs” when they cannot be sure of the cost of the project itself.

Mr. Heffernan noted that if there was a problem with that intersection, it is not necessarily fair that the cost of fixing that problem fall to the building project when the problem affects the entire town.

Mr. Kern pointed out that fixing the problem is easier with the construction workers that are already on site.

Mr. Preston explained that route 109 is seeing much higher automobile speeds than there were previously. The problem, he feels, is the difference in speeds by the people using the road.

Mr. Heffernan solicited questions on this article from the committee.

**Article 27 (Non-Binding Referendum)**

Sue Carney presenting.

Ms. Carney explained that this article is to supplement communication and better inform the town. She feels that when town meeting passes a major capital project of any sort, if it’s cost exceeds 15 million Dollars, that residents should have the opportunity to voice an opinion. This would allow the citizens a non-binding vote on these extremely expensive projects. She feels that residents in this town do not feel well-informed on what their tax dollars are doing. She believes that there are big upcoming costs in our community. Ms. Butler voiced her support for this article. She explained that the average townsperson does not feel that they have a say in where their money is being spent. Ms. Carney expressed that she feels the town should be given an opportunity to express their feelings about major projects.

Mr. Heffernan asked how the number that was the minimum for a referendum was decided on. Ms. Carney explained that she does not feel that smaller costs, such as 2 Million, or 4 million dollars are not worth make a town-wide issue out of, since we already have a representative town meeting.

Mr. Preston asked if the town meeting was what created the referendum, wouldn’t it be too late in the lifespan of the project if the town meeting had already made a decision. Since the referendum only takes place after the town meeting takes place.

Ms. Carney explained that while there would be no legal ramifications from the referendum it would provide information to the local government, especially if something was overwhelmingly disliked by the town.

Ms. O’Donnell expressed a concern that this would weaken the authority of the town meetings, a representative system.

Ms. Carney noted that she does not have absolute faith in the 270 people who meet during the town meeting voting session. Ms. O’Donnell noted that she feels the Town Meeting vote is the final say on these matters.

An audience member explained that the town meeting votes are worded in such a way that it might not even be possible for the town leaders to avoid going through with a plan once it was voted in favor by the town meeting.

Ms. Baker explained that there may not be authority to take any action on these referendums until the autumn town meeting and that these votes would have to take place as a Special Election.

Ms. Fay inquired as to the costs of the special election. Ms. Baker answered at least 20,000 dollars.

Mr. Lindemann said that if this non-binding referendum were to take place ahead of town meeting, it could be more helpful.

Ms. Carney expressed that the vote could take place during the town election, which always comes before the town meeting. This would allow the town meeting members to have the public referendum interest numbers ahead of time.

Ms. Fay asked if the Committee members putting forward this article have considered any other methods of informing the public about these high(15+ Million) cost projects.

Ms. Terkelsen noted that if this were to be put on the town election ballot, there would need to be standards met for the “pro” and “con” arguments for these projects. Ms. Terkelsen noted that because of CPAs, Debt Exclusion, and Robin Reyes, the cost of these projects could get muddled.

Ms. Carney explained that she hopes our town is only taking projects of this massive scale if they are necessary as a town, not just because we have a CPA program available.

Mr. Kern explained that the building committee pays a lot of attention to the costs and needs for their projects. Part of that is keeping timelines very tight and as short as possible, and so having extra steps in the process could be problematic.

Mr. Roberts noted that the timing was an as the article currently stood. Ms. Carney reiterated that she feels the vote could be moved to ahead of the town meeting, to help the meeting officials gauge the town sentiment. Mr. Roberts noted that working with the architect and the MSBA can be extremely time sensitive.

Ms. Carney informed the committee that she would give due consideration to the timing of the vote.

**Article 35 (Use of Premiums on Borrowing)**

Ms. Terkelsen explained that these changes would primarily affect bond premiums. Previously, premiums net of issuance cost would be moved into the general fund. Now, the premium would be kept within the project fund and handled differently. Bond issuances happen after town meeting. So currently there are no bond premiums for this to effect. Bonds are issued in June each year.

Mr. Heffernan asked what would change with this warrant article, since these changes would happen regardless. Ms. Terkelsen expressed that the modernization act requires these changes be made on paper. She also expressed that a decision must be made on how to treat these bond premiums, and that there are several options available, but they bear further discussion. She suspects that bond premiums will be left in the project until a town meeting is held to decide what to do on them. Ms. Terkelsen explained that this article opens up the ability for the town meetings to make decisions about these bonds.

Mr. Preston asked what would happen if this article was rejected. Mr. Kern noted that since the changes are being made regardless, this wouldn’t be too much of a problem. Mr. Heffernan asked for clarification on what their committee could do in terms of recommending action.

Ms. Terkelsen asked the committee reach out with questions or comments that could be answered in their upcoming meetings prior to deliberation.

Mr. Lindemann requested that someone from the engineering office speak to Cambridge about the Energov software.

Mr. Heffernan attempted to find a time they could schedule a meeting prior to April 6th, but many members of the committee are unable to attend those days. Ms. Baker suggested that deliberations may take longer than Mr. Heffernan predicted.

After some discussion, Mr. Heffernan clarified that the first night of deliberations is extremely busy, and that everyone should be present for it. The committee decided to meet on the 6th, the 11th, and the 12th.

Motion to adjourn at 9:33

Motion passes 8-0. Mr. Hughes not present.