

Finance Committee Meeting
February 3, 2015
Minutes

Chairman John F. Doherty called the meeting to order at 7:00 p.m. Members present were Theresa M. Manganelli, Jonathan R. Eaton, Robert P. Palmer, Richard K. Hayden, Bernard P. Nally Jr. Not present: William J. Wallace

FY 16 Budget Overview; Revenue; General Government, including debt service, unclassified, statutory charges, Insurance accounts and Miscellaneous:

PRESENT IN INTEREST: Jeffrey M. Hull, Town Manager, Kendra Amaral, Assistant Town Manager, Michael Morris, Town Accountant, Kendra Rozett, Police IT Administrator

Mr. Hull - Provided general overview of FY15 budget. Reviewed the goals that have unpinning the budgets for the past two years and for the coming year. Goals include providing resources needed for 21st century education, improving energy efficiency of the buildings and fleet, utilizing technology as a tool in our operations, all of which plays a major part in this budget. Maintaining a multi-year capital improvement plan was a goal established last year. The second edition is submitted with this budget. Additional goals focus on enhancing our financial planning capabilities to reduce risk and improve efficiencies.

FY16 total budget is \$100,520,702 and reflects an increase of 4.6% over FY15 budget. In this number is a proposed transfer of \$3,000,000 from free cash to stabilization accounts to address future liabilities, namely OPEB (other post employment benefits) which is the cost of health insurance for future retirees. Recommending this year that \$1,000,000 from free cash be transferred into a stabilization account.

Mr. Doherty – Asked if our requirements change over time. Our requirements do not change that we know of.

Mr. Hull – Proposing to address our unfunded pension liability. The annual assessment will continue to go up. We should have money set aside in reserve to supplement. Last year Town Meeting approved \$250,000; this year the request is to add \$500,000 to that, with a transfer from free cash.

Proposing a transfer of \$1.5M from free cash to the capital stabilization account, which will bring that account balance up to \$1.8M. Looking at the capital improvement plan for the next 5 years, roughly \$36M of projects are on the radar to be funded. Typically we will fund roughly \$2M-\$3M through the annual operation budget. There may be years we need additional funding.

Mr. Doherty - Asked when the last time was something came out of the capital stabilization fund. In 2014, the Town approved \$90,000 for a project. Finally from free cash we are looking to fund the boiler replacement at the Shawsheen for \$458,000.

Relative to free cash or unrestricted reserves, Rating Agency's like to see 10% of the operating budget. Brief decision about when the unrestricted reserves exceed that and timing for when should the money be earmarked or moved out of unrestricted reserves.

Mr. Hull - FY16 budget includes added positions and job realignments. Proposing to add a payroll/benefits position in Town Accountant's Office. Propose combining two part-time positions in Veterans Services Office into one full-time position; reclassifying one of the clerks in the Assessor's office into an Assistant Assessor. Propose reclassifying the Elderly Services and Veterans Service director positions. Recommending the creation of an IT Director position. This will be a reclassification of the Police IT position added last year, not an addition. This move will improve IT support and make IT a department head level position.

Mr. Doherty – Asked if the IT department will include schools. Schools have their own IT department, and the Library will remain stand alone. Brief discussion on current IT function.

Mr. Hull - The School department has a proposed 4% increase due to collective bargaining commitments and special education expenses. Students have moved into system post April 1st, therefore the community that they came from will pay that tuition for the remainder of the fiscal year. However we pick up the costs in FY16. Typically students are cycling out once they reach the age of 22. We have no students cycling out at this time. Shawsheen Tech budget is stable, 1% increase.

Mr. Doherty – Inquired if Shawsheen Tech is seeking any capital improvements. Do not have that information as of now, but they can address when they present to the Finance Committee.

Mr. Hull - Noted general government overall increase 1.53%. This does not reflect the fact we have four collective bargaining agreements that need to be addressed.

Mr. Doherty – Asked if the negotiations will be completed by Town Meeting. They are not expected to be.

Mr. Hull – Recommending a facilities master plan, similar to the Capital Improvement Plan. The purpose will be to put on the radar some key projects. Presently the key project is the Yentile Farm. Cost will be about \$4.5M, and the plan is to borrow in the fall, with a bond anticipation note. A subcommittee is seeking out donations to defer some of that cost. Another key project is the Ristuccia Rink which we will also seek borrowing in the Fall.

Mr. Doherty – Asked when the anticipated start of Yentile Farm construction will be. Construction is expected to start 2016.

Mr. Hull - Pointed out change in Personnel Book. The purpose is to provide a snap shot as of 12/31 of the current year as a benchmark to compare proposed salaries against. Explains the new layout of personnel book.

Mr. Hayden – Asked what is being done about the public safety increase in turnover. Part of the issue is our older workforce. We are seeing individuals that are seeking lateral transfers as well. Survey done of other comparable communities in the area, we are on the low end in certain positions, especially in the police.

Mr. Doherty - Asked if on the Fire side if there is a difference on the hours. Our fire department has a standard shift structure.

Mr. Hayden – Asked if someone transfers does the seniority go with them. That does not go with them.

Mr. Hayden – Asked if there is a plan to address turnover. A couple of things are being considered. First looking into collective bargaining agreements, establish a salary range that would be more competitive. For the superiors we are currently below the 20th percentile. Brief discussion on how it takes time to bring the salaries up, the pension system, and the cost of going through the academy and impact on overtime.

Mr. Hull – The Capital Improvement Plan goes through 2020 with roughly \$36M in identified projects. The current year includes \$2,733,200 in capital, funded from the levy, and additional capital for water that comes out of receipts.

Mr. Morris – Reviewed FY16 budget book pages 1 through 8. Provided a Revenue overview with the tax levy running around 71% of total revenue. Projecting a 2% new growth which is conservative, and there is the debt exclusion for the high school. Local receipts are projected as conservative (pg 8) motor vehicle excise went up. Meals tax increase due to Red Heat and Tremezzo's is up. Other taxes & excise staying steady. Payment in Lieu of Taxes is money from Reading Light. Brief discussion how the fee's get charged for services relative to the ambulance. Medicaid Drug Subsidy may be decreased in the future. Brief discussion on Medicare Drug Subsidy and how it may go away all together. Explained the new plan for retirees, called Medex 3. Open enrollment is in the Fall.

Mr. Morris – Sewer rates dictated by MWRA, and is a preliminary number.

Mr. Hull - Mid-year state cuts may have a ripple effect into next year.

Mr. Morris - Page 15, General Government, numbers are stable. Pg 20 - Finance Committee budget went down slightly. Pg 21 - Town managers budget going up slightly reflecting the steps for employees.

Mr. Amaral – Pg 22 - Information Technology, this fall we conducted an assessment of Town IT. The assessment identified 10 recommendations, with the main recommendation being to have IT as its own department. We reviewed all the department budgets, where they had IT related expenses. Each department has been responsible to take care of their own needs. Total cost was well over \$400,000 in IT. The money in the IT department budget came from other budgets. Intention is that IT dept will handle all needs for the Town (software, hardware, security, network, data recovery, mobile tech and help).

Mr. Eaton – Inquired why the public schools remain separate. If you look at communities across the state, there is no consistent approach to Schools. IT at the schools is working perfectly fine, focused on what they need to be focused on, including implementing new standardized testing supports and other needs. They need to focus on what their needs are.

Ms. Rozett – Explained that the school and town need two different processes. Schools tend to use a different format, for example they use Apple, Town uses windows. Brief discussion on the need of an IT department for the Town. Police tend to have more technology.

Mr. Doherty – Asked if we will have more online for the residents. There are more applications that will go online. Also explains how far the Town has come with online services.

Mr. Eaton – Asked if Ms. Rozett will still be responsible for the police dept. She will still be working with the Police Department in her new role as the IT Director. Currently there is a staff of 3, 2 individuals will be reporting to Kendra. Kendra will still be public safety's main support. They have been put in a better position in the last year, now it should be maintaining.

Mr. Doherty – Inquired if the town will be offering classes to Town employees. Desk tops can't support window 8, so they have not been updated as of yet. Town's website needs to be updated, will be taking a look at the architecture of the website to make it more user friendly as opposed to internally friendly. Brief discussion on how each department would no longer purchase their own cell phones, copiers etc. We can save money if things are negotiated for the entire town. There could be significant savings to negotiate in bulk.

Mr. Hull – Pg 23 - Town Accountant Budget went down significantly, due to two individuals going to the IT Department. Salary's will reflect three individuals listed as full-time. New payroll and benefits will be working out of the Accountant's Office.

Mr. Morris – Misc. Contractual Services up \$10,000 due to required OPEB actuarial.

Mr. Doherty - Asked if we are better or worse compared to other Town's. Wilmington is in the middle. We have to be consistent in contributions to the OPEB stabilization account

and need to make adjustments to health insurance. Issue is trying to reduce the rate of increase of health insurance over time. That will help control the OPEB liability.

Treasurer/Collector:

PRESENT IN INTEREST: Pamela L. Mackenzie, Treasurer/Collector

Ms. Mackenzie – Reviewed budget. Contractual services dropped due to technology being removed. There is an increase in certified collection for tax title, for foreclosures that need to happen. Filing cost \$650.00 per property.

Assessor's Office:

PRESENT IN INTEREST: Karen Rassias, Principal Assessor

Ms. Rassias – Reviewed budget. Explained the majority of the increase is due to re-valuation cost for personal and property. Salary is decreased due to a retirement. Brief discussion on they have taken on a lot more responsibly and the need for to reclassify one clerk to an Assistant Assessor. Example given where the Assessor now signs off on an occupancy permit, because they usually can't get into the property after that to verify the value of work.

Mr. Doherty – Asked how fast the paperwork comes from Registry of Deeds to your office when someone purchases a property. Not fast enough, typically have to wait until the end of the month for the Registry to produce a CD, which doesn't get to them until the middle of the following month. Vision allows an update once a year, so the public database is not updated daily. There is a charge to update monthly.

Mr. Doherty – Inquired how the Appellate Tax Board cases are doing. Some larger cases have been resolved; cases have been cleaned up for 2007-2012. Applications for abatements were down last year, always going to have cases pending.

Ms. Manganelli – Noted a change on the online software. Vision just changed things and did not give us a warning.

Kevin MacDonald – Asked whether 200 Ballardvale got settled or went to trial. Went to Appellate Tax Board; they lost on two years, the final year they got lowered. After waiting approximately one year they approached us and want to resolve outstanding matters.

Kevin MacDonald – Asked if there is a tax reduction for contaminated properties. The Town can't predict, explains prior cases.

Kevin MacDonald - Asked if there would any taxes on the pipeline. The pipeline is not assessed locally.

Mr. Hull – Pg 31-Town Counsel – Amount increased slightly.

Mr. Eaton – Noted that last year Mr. Hull discussed exploring other options. At the moment not looking to change.

Kevin MacDonald – Asked if the Town is paying any money to other law firms. There are no firms that the Town is paying directly too.

Mr. Morris - Pg 57-Maturing Debt & Interest – All Debt amounts are down. Sewer debt went down, due to grant loan program. Asking for a little more money in miscellaneous due to debt for the rink.

Mr. Morris - PG 64-Misc. Support – Increase in Retiree & Sick Leave, based on retirements coming up in FY16. Reminded the Committee of provisions within the collective bargaining agreements for early retirement and buy backs at retirement.

Mr. Morris - Medicare Employer's Contribution is up 1.45%, Salary Adjustments is up due to unions and non-union contracts not being settled. When settled these funds will be distributed to the various department salary lines. Computer hardware was moved to IT Dept.

Professional & Tech. Services, a major portion of this budget goes to Geo Insight. Geo Insight are the Town's consultants for Olin, Maple Meadows, and Olin Trans-Rail, monthly amount paid for their services. We are expecting costs for due diligent regarding rink they would be involved.

Mr. Nally – Asked what is going on with Trans Rail project. They are looking to purchase the property from Olin. Not clear on what is being proposed.

Ms. Amaral - Pg 65-Insurance – Conservative on insurance estimate, 15% increase in Liability, with the largest increase in Workers Compensation. Our 3 year experience window this year includes FY11, which was a high year, looking for a drop off going into FY16, however FY14 went up considerably which we will continue to carry in experience. Explained the Town received an excellence in loss control award from MIIA this year. Insurance include adding the new High School, its contents and technology. Property valuation should be done this year but it has not been scheduled; we are still waiting on MIIA. For Health Insurance we expecting 7.2% increase, and are seeing an uptake in claims. The number of claims over \$5,000 has gone up and average value of monthly claims has gone up this year; affordable care act costs are coming in which the Town did have to pay this year.

Mr. Doherty – Asked if we still hold health fairs. It is a success. There is also an active Town Wellness Committee. Explained the feature done by Blue Cross/Blue Shield on a recent program launched, Wellness Cook-Off, which is a recipe challenge. Have also conducted walking challenges and are planning a mini-health fair with DPW.

Mr. Morris - Pg 66-Statutory Charges – Increase in Overlay, due to revalue year, senior tax work program is being moved into the Overlay. We will continue program but there is an article on Town warrants, to adopt MGL to do this program and plan to fund it in the Overlay.

Mr. Hayden - Asked where we stand for St. Dorothy's project. It has been purchased.

Mr. Morris – Retirement Contributions, continue to go up, as discussed earlier. Offset Items- given to library and cafeteria. MBTA-Don't have final 2016 numbers so it is level funded, \$47,310 is the anticipated actual amount for this year. MAPC-Slight increase. MWRA-Based on most recent information available. School choice two are going out, one to Burlington and one to Tyngsboro, Brief discussion on Town pays transportation and the costs associated. Charter Schools, 9 students enrolled.

Kevin MacDonald – Asked for an explanation what school choice is. Recommends Mr. MacDonald read the cherry sheet manual, which is posted online. Brief discussion on how school choice for students coming in and leaving works.

Mr. MacDonald – Asked if there is a cost per student. Different prices per school.

Kevin MacDonald - Made note that Essex Aggies has two rinks at no cost to the schools.

Mr. Hull – Pg 67- Warrant Articles-As previously discussed Retirement and OPEB looking to fund as done last year, \$1M from free cash to OPEB Stabilization account, \$500,000 from free cash to Retirement Account. Capital Stabilization transfer of \$1.5 from free cash.

Mr. Doherty – Asked if senior work program will be funded at the same amount in the Overlay. The plan is to increase it \$20,000. Approach is a little different than past, currently individuals who are eligible can work up to 80 hrs and individuals receive a check based on hours worked. Going forward there will be abatement to their property taxes instead of a check issued.

Mr. Doherty – Asked if taxes will be taken out when they receive their check. They are required to.

Brief discussion on pensions retirement, how its' funded, the intent is to set money aside for years that there is a significant increase and how state mandates pensions.

Mr. Hull – Relative to the Rink, the expectation is to have negotiation with current owners to purchase the rink. Existing lease has payment of \$12,000/month that is budgeted as revenue, which will be used to off-set cost going forward. Brief discussion on purchase of rink time line.

Mr. Macdonald – Asked what the payment on a bond for \$2.25M will be. We don't know until we go through the bonding process.

Mr. Hull – Pg 68-Capital Outlay - Butters Row culvert, in need of repair as it has collapsed. Construction/Maintenance Equipment - \$25,000 for equipment purchase, liquid de-icer. Construction/Maintenance Vehicles - Replacement equipment on existing fleet. \$82,000 for Cunningham drainage improvement project, several phases, work phase II. \$25,000 for beginning work on fuel tank conversion at DPW to put above ground.

Mr. Doherty – Asked if there is any pollution. It is tested regularly and there is no evidence of leaking.

Mr. Hull - \$55,000 Mass Ave drainage improvement to address proper drainage. \$190,000 to Shawsheen parking lot re-surfaced. \$220,000 to purchase SUV cruisers. Had an auction over the fall and sold old Crown Victorias.

Mr. Doherty – Asked if the new SUVs will replace Crown Victorias or SUVs. Older SUV's are going to other Officers. Only 1 Crown Victoria left; these will replace front line SUV's.

Mr. Hull – \$150,000 to demo Whitfield School. Nothing has changed. There is a draft report that Historical Committee will submit tomorrow, and will be present at the Finance Committee meeting on the 26th.

Mr. Hull – There has been a number of issues come up in buildings which repairs come up. \$280,000 replace chiller at Public Safety Building, full replacement is needed. Two roof replacements one over the Shawsheen gym and one over the Woburn St. gym, total \$220,000. Part of public buildings ongoing program for roof replacement. \$458,000 to be taken from free cash to replace original to the building heating system at Shawsheen, will be changed from oil to gas. \$40,000 request for School Department to address clocks and intercom system which is not operational in emergencies. \$37,700 School Department funds to address English Language Arts program, a phonics reading program K-5. \$177,000 to change current math curriculum in elementary grades. \$26,000 replaces one school minivan with high mileage.

Requesting \$150,000 to pursue a municipal building master plan. Important to have an idea where we need to be going for facility replacement and upgrade.

Mr. Doherty – Asked if they will be looking the Roman House. Assessment of spaced is needed.

Ms. Amaral – Reviewed computer system upgrades. Received funding to implement Microsoft upgrade last year, could not accomplish it yet as we need updated hardware. We need to replace servers and move to virtualized network to provide significant amount of growth capacity. Brief discussion on the need of technology, the investment for the long term.

Mr. Nally – Noted we have replaced windows and heating systems in schools and asked if we have figures if the work is paying off. George is tracking and can speak to this during his presentation. Generally though it takes time to see payoff as the systems are still relatively new. Brief discussion on if the report would be accurate to due weather changes, fuel cost, etc.

Mr. Doherty - Asked how we are doing on FY15 budget. We are in good shape, except plowing/sanding.

Ms. Manganelli – Asked how the injured officers are doing. They are recovering well.

There being no further business, a motion was made by Jonathan Eaton, seconded by Bernard Nally. Approved unanimously.

Meeting adjourned at 9:35 p.m.

The next meeting of the Finance Committee is scheduled for Thursday, February 5, 2015.

Respectfully submitted,

Recording Secretary