



TOWN OF ADAMS SELECT BOARD AND FINANCE COMMITTEE JOINT MEETING MINUTES

TUESDAY, March 10, 2015 – 6:00 PM

VISITORS CENTER, MEETING ROOM, 1st FLOOR, ADAMS, MA 01220

On the above date the Board of Selectmen and the Finance Committee held a joint meeting at the Visitor's Center at 6:00 p.m.

Chairman Arthur Harrington presided the Select Board Meeting. Present were **Members John Duval, Joseph Nowak, Jeffrey Snoonian**, and **Vice Chairman Richard Blanchard**. Also in attendance was **Town Administrator Tony Mazzucco**. Town Counsel Ed St. John III was absent.

Chairman Tim Burdick presided the Finance Committee Meeting. Present were members **Craig Corrigan, Paul Demastrie, Joan Smigel, Charlie Foster, Amy Giroux, Sandy Kleiner, David Allen, Leon Parrott**, and **Fred Hobart**. Absent were Rachel Tomkowicz, Matt Pitoniak, John Lawson, Greg Tremblay, and Brian Johnson.

The Select Board Meeting was called to order at 6:00 p.m.

The Pledge of Allegiance was recited.

The Finance Committee Meeting was called to order at 6:02 p.m.

The Finance Committee addressed two Reserve Fund transfer requests.

Public Buildings - \$60,000

Town Administrator Mazzucco explained to the Finance Committee that the request for Reserve Fund transfer in the amount of \$60,000 was for payment of electric bills incurred by the Wastewater Treatment Plant. The G3 rate increased from approximately 7.5¢ per kWh to 23¢ per kWh. The Wastewater Treatment Plant is the largest consumer of electricity in the Town, and was hit with back to back \$20,000 bills. One additional high bill is expected to come in before the solar energy will begin to offset the costs. More solar credits have been afforded to the Wastewater Treatment Plant from other buildings in the future to absorb some of this cost. An energy auditor will be coming in to look at the big picture to reduce energy use at the Wastewater Treatment Plant, and the Town is pursuing alternate energy purchase agreements to see if it is possible for the Town to purchase energy for the Wastewater Treatment Plant at a lower rate. The usage from the plant is flat, but the rate increased enormously. Though the cost of gas is down, for this year it wouldn't provide the savings needed to cover this rate increase.

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Motion made by Member Allen to put the request for the Reserve Fund Transfer for \$60,000 on the table for discussion

Second by Member Giroux

Unanimous vote to approve the Reserve Fund Transfer of \$60,000 to Public Buildings

Motion passed

Council on Aging Temporary Services - \$3,000

Town Administrator Mazzucco explained to the Finance Committee that the Council on Aging has a staff member that is on extended medical leave, which will cause the department to use up the overtime allotment to keep both of the vans running. The \$3,000 request will get the Council on Aging through the end of the month, and they may need to come back with a future request if needed or determine whether to reduce services to one van as an option.

Motion made by Member Allen to put the request for the Reserve Fund Transfer for \$3,000 on the table for discussion

Second by Member Parrott

Unanimous vote to approve the Reserve Fund Transfer of \$3,000 to Council on Aging Temporary Services

Motion passed

The Finance Committee concluded its special business and turned the meeting over to the Town Administrator for the Budget Review and Discussion.

Budget Review and Discussion

Town Administrator Mazzucco gave a presentation on the FY2016 Budget Overview. He covered the proposed Municipal, Adams Cheshire Regional School District, and McCann Technical School expenses, which are all expected to increase. The projected increase in the tax rate would be \$.75 in Residential Taxes, \$.64 in Commercial Taxes, and Town Staffing is expected to be reduced by 4 positions to a total of 63 full-time benefitted (FTB) staff positions. There are other elected and stipend-based positions.

Revenue

The majority of the Town's revenue comes from property taxes, followed by local aid, local receipts (excise taxes, fees and funds), and additional small revenue sources that were not significant. Approximately 10 years ago investment income was around \$180,000 and this year it registered at \$2,200. That revenue stream disappeared about 5 or 6 years ago with lowering of interest rates.



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Expenditures

Adams Cheshire Regional Schools registered as the highest in expenditures at 32%, followed by the *Public Works Department* and *Wastewater Treatment Plant* at 17%, *Public Safety* at 12%, *McCann Technical School* at 5%, and *Debt Exclusion* at 4%.

Levy Limit Trends

The Town of Adams has reached its Levy Limit, which means the Town cannot raise more funds in taxes without a Proposition 2 ½ Override, or by cutting somewhere else in the budget. The excess levy capacity since 2002 has dropped precipitously. The trend shows from 2002-2006 there was around \$675,172, by 2007 through 2011 it dropped to around \$280,821 and 2011 through 2016 it is down to \$151,097. The levy capacity for 2016 is estimated to be at about \$18,000, which is almost nothing.

Tax Collection Rate

Anything less than 99.5% is not ideal. Below 97.5% is considered a problem in your local economy and local housing stock, so it is concerning. FY2014 was down to 97.29% and the downward trend is very concerning and should be monitored every year. The Town Treasurer's efforts in FY2015 should begin to reverse this trend. 2.7% of the taxes levied in 2014 were unable to be collected.

WWTP and the Tax Rate

\$2 of the tax rate is the Wastewater Treatment Plant (WWTP). Most communities have their WWTP segregated out as a separate enterprise fund and just paid for by the users. In Adams it is incorporated into the property tax rate.

Stabilization Fund

In FY2009 there was approximately \$1.2 Million in the Stabilization Fund and by FY2015 there was only \$170,000. With the Reserve Fund Transfers that have already gone through and the pending salt bill, it is possible there will be very little to add to the Stabilization Fund at the end of this year. FY2004 was the last time this fund grew, and it has been dropping fairly steadily since. Revenue funds that were put into the Stabilization Fund have reduced and a substantial revenue stream has disappeared in the last 2 years.

Free Cash

The Free Cash number is just above \$1 Million, which is the lowest the Town has had in over a decade. 58% is allocated to offset the tax rate. \$200,000 is proposed for Capital Expenditures from Free Cash. This utilizes approximately 80% of Free Cash, and is too high, but the Capital Expenditures proposed for purchase are "rolling stock", which will have to be purchased every year or will have a risk of increased maintenance costs and the costs of the equipment increasing.



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State Aid

The Governor's proposed budget increases state aid between \$30,000 and \$80,000. These numbers are flexible and dependent on many factors. The proposed budget still has to go through legislature, so the Town cannot count on the money coming through. If the Town was able to build an \$80,000 to \$100,000 cushion in revenue projection, it would help to spread the cost of any need over 2 or 3 years and help to handle it without having to reduce services. If the amount is higher than what the Town put into the budget, it should be rolled into Free Cash. Since McCann's numbers are a little higher, it may need to be used in this capacity. State Aid is a little higher than 2006 but is not a substantial change in 9 years. Expenses have increased far faster than the state aid.

Departmental Receipts

Largely this is Excise Taxes and some small fines and fees. There is a projected increase for FY2016. Excise taxes and the value of the vehicle depreciate every year, unlike property values which are added to the tax rolls and are going to be there every year. They are subject to more fluctuation.

Personnel Costs

The town has a "structural deficit" in its budget process. Every year there will be more expenses than revenues, requiring a budget cut. Without any changes to the budget, the Town would have had an increase in about \$380,000 in personnel costs. Increasing the tax levy adds about \$246,000 in revenue to the Town, and new growth is expecting approximately \$50,000, but could disappear or be variable depending on the source. There is not substantial growth seen in the tax base. Next year's revaluation will likely see an increase, but that would be temporary. Labor costs do not balance because they go up over \$300,000 a year, not counting the operating budgets or anything for the schools. If operating costs were cut to put the proposed cut positions back into the budget, in 10 years the operating budgets would be cut in half assuming no increase in those budgets or the schools. If small cuts are made in different areas the Town will still be facing the same problem in subsequent years. Expenses are growing faster than the revenues. If the structural problem is not fixed to reduce the gap, the Town will always be in this situation. Personnel costs are estimated to increase from \$5.7 Million in FY2016 to approximately \$7.2 Million in the year 2020.

Discussion Topics

Town Administrator Mazzucco suggested future discussions about developing a free cash policy, identifying where the stabilization funds are going and how to rebuild that fund, and where to find other sources of revenue.

Changes Proposed for Next Year

Town Administrator Mazzucco proposed that next year the Finance Committee meet quarterly, or monthly to begin to review fiscal conditions and trends, and to begin to develop and implement sound fiscal policies and guidance for the Town. For efficiency he plans to combine some budget line items and hopes to add additional fiscal trend monitors.



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In the presentations going forward it is proposed that the Department Heads put forth their proposed budget needs along the Town Administrator's budget proposal to show what is really needed compared to what the budget can really meet. The budget does not meet all of the needs to effectively serve the public.

Public Questions

COLA and Union Contracts

Questions were fielded by the public to include when the Cost of Living Adjustments (COLAs) were negotiated in the contracts, when the next negotiation was expected, and when the Town last did a competitive market study.

The Contracts with the Clerical Union were just signed and the negotiations are finalizing with the Public Works Union. The Police and Clerical Unions were given a 2% COLA for a 3 year term. In another 2.5 years discussion can begin again on whether to give the COLAs or not. By consistently not giving COLA increases the Town will begin to fall behind the wage rates of local communities and will over time make Adams no longer competitive in wages to attract good talent. An internal study is proposed to look at how Adams compares in the market for wages, service levels and staffing compared to similar sized communities.

How Long Will it Take?

To turn around the current budget trends will take consistent hard work for about 5 to 6 years or more. The Town needs to reduce positions and to scale it down a portion at a time. In 4 or 5 years of the Town can reduce labor costs it will be able to be in a better place to go forward instead of continuing the same downward trend and staying in survival mode. Absent any new growth coming, this situation will continue unless cuts are made. North Adams, Lanesborough, Cheshire and Williamstown are also going through similar situations.

Free Cash

There is \$1,016,000 in certified free cash. This money comes from unspent budget money or money that comes in over expectation that carries over from previous years. When the budget is trimmed and reduced, it also reduces free cash. Over the last 2 years there has been a \$600,000 drop in free cash, which is substantial. There isn't a "rule of thumb" used to raise the budget by any percentage, as Department Heads are looking at what is needed and some budget lines are more flexible or fluctuate.

Revaluation

Historically revaluations result in an increase in value of properties. If the revaluation shows the value of properties are going down the financial situation of the Town will get worse. The Town will be embarking on a state mandated 10-year revaluation.



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Proposed Fiscal Policies and Guidelines

When meeting with the Finance Committee going forward the intent will be to develop fiscal policies and guidelines that can be reviewed and adjusted as the Town goes forward to create sound fiscal action to support the Town's growth. It will give the Finance Committee the ability to think about how the Town wants to use Free Cash and Stabilization Fund money to help the Town to get to a better fiscal situation.

Proposition 2 ½ Override

Town Administrator Mazzucco shared his opinion that an override would not work for the community, and would perpetuate every year and continue to add to the tax rate. It would patch the problem for one year and leave the Town in the same spot for the next year.

Strategic Plan Process

The Town will be embarking on creating a Strategic Plan process starting around the time of Town Meeting to generate discussion about what direction the community wants to go and to prioritize how to get there.

Economic Development Commission

Town Administrator Mazzucco is looking into forming an *Economic Development Commission* for the community to bring in businesses that are focused on jobs. Economic development starts and ends with jobs. The Town cannot cut or spend its way out of economic hard times, but instead needs to grow its way out of it. Growing the tax base is the only way for this community to move forward. The *Economic Development Commission* will need to be comprised of those with a passion and with business minds and backgrounds like engineering, finance, real estate, and insurance, with a goal of outlining projects that will bring jobs to town. It will not be an "ideas" committee, but instead a working committee to make them happen. This commission would be comprised of volunteers at this time.

Regionalizing Services

Any service that is able to work in a regionalized way will be considered. It is a difficult thing to regionalize services, and the Town of Adams is willing to do it but other towns are less willing to consider regionalizing.

Local Option Meals Tax

If adopted, a *Local Options Meals Tax* would create revenues that would be used to fund a Marketing and Economic Development Coordinator position and over time the Town may want to hire an Economic Development Director. Over the next 5 to 7 years, the Town will have to look at where it can add positions in Economic Development to really grow the economy. The Community Development Department does a great job with both community and economic development but needs to have added resources to be able to invest in growth down the road. Despite cutting jobs, this area needs to be invested in.



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Retiree Health Care Split

Concerns were expressed by retirees of the Town regarding the proposed change in split for health care from 75/25 to 70/30. The retirees requested the split be the same as current employees, for equality. This change in split would save the Town \$27,000 in order to fund the *OPEB* Benefits to create sustainable future benefits.

A retired employee suggested rerouting the funds set aside to fix Russell Field to offset the health care funding to eliminate the impact on the retirees. This would require free cash to offset the tax rate, and if the project was put off a few years the cost would go up, essentially not making a big picture difference with a small up-front savings.

Department Budgets

Town Administrator Mazzucco reviewed the individual department budgets

Select Board Budget – Increase of \$505 projected.

Town Administrator Budget – Decrease of \$12,935 projected.

- The significant decrease is due to a cost shift of \$10,000 in an Engineering Budget to the Community Development Department, where it will be more effectively utilized.

Town Counsel Budget – Increase of \$284 projected.

Moderator Budget – Flat funded budget.

Finance Committee Budget – Decrease of \$500 projected.

- The Finance Committee *Reserve Fund* remains unchanged.

Town Report Budget – Decrease of \$800 projected.

Employee/Retiree Benefits Budget – Increase of \$87,317 projected.

- *Other Post Employee Benefits* (OPEB) were discussed and Town Administrator Mazzucco proposed creating an *OPEB Trust* starting next year with \$10,000 for benefits to be sustainable for future generations. It is likely that the State will mandate communities to fund OPEB in the future, and getting this fund started is paramount. The Federal Government has begun to require OPEB to be shown on the books. Bonding agencies will want to see where this fund is at because communities at some point will be required to fund it and the Town would be locked out of bonding if it is not created because we are at 0%.



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Town Accountant Budget – Increase of \$3,549 projected.

Technology Budget – Increase of \$3,549 projected.

- Increases are due to rising software costs and internet service.
- *Technology Capital Expenses* include an online permit program to support the Building Commissioner with expediting permits to contractors or home owners to apply for permits from their home computer and will eliminate massive files of paperwork. This software will be accessible by 15 Towns.

Property and Liability Insurance – Increase of \$3,840 projected.

Assessor Budget – Increase of \$6,310 projected.

- The increase is due to labor costs.

Treasurer Budget – Increase of \$2,241 projected.

- The Treasurer's aggressive tax collection efforts were noted and are expected to create a positive impact on collection rates in the next year.
- The increase is due to additional legal fees due to increased collections.

Debt Service Budget – Increase of \$48,258 expected.

- Debt service is comprised of Tropical Storm Irene costs, Water Channel improvements, the Library exterior upgrades, the WWTP program and finalization upgrade, Town Hall and Police Station improvements.

Town Clerk Budget – Decrease of \$2,044 projected.

Elections, Registrations and Codifications Budgets – Total decrease of \$2,400 projected.

Boards and Committees Budgets – Total decrease of \$300 projected.

Emergency Management Budget – Increase of \$500 projected.

- *Emergency Management Capital Recommendation* was for \$3,000 from Free Cash to be utilized to purchase an All-In-One Shelter Kit to provide a complete shelter system for 50 people, and the proposal is for one to be purchased each year for several years to enhance the emergency response capacity for the Town. A higher shelter capacity is necessary to support the older population in Adams.



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- Increase is due to training and travel costs for the Emergency Management Director.

Forest Wardens Budget – Decrease of \$1,000 projected.

Veteran Services Budget – Increase of \$2,250 projected.

- Expected increases are due to labor costs.

Community Development Budget – Increase of \$15,418 projected.

The *Community Development Department* was acknowledged for the \$17.6 Million in grant money that were received by the Town from their efforts, and for the work and projects they have done with the CDBG Block Grant Program, the Downtown Revitalization Program, work with the Berkshire Brownfields Program, providing Public Bidding processes for the Town's projects, and working on Community Planning Initiatives.

Proposed Projects for FY2016 include the *Greylock Glen Resort Development*, *Ashuwillticook Rail Trail Extensions*, the *Hoosac Valley Scenic Train Service*, the Memorial School Renovation and Reuse Project, the *Route 8 Roundabout Project*, the *Old Stone Mill Redevelopment*, the *Charles Street Bridge Replacement Project*, and a *New Façade Improvement Program* for the Route 8 target area.

Community Development Budget explanation:

- Labor and Operating Costs have increased
- The significant increase is due to a cost shift in engineering funds of \$10,000 from the Town Administrator Budget to the Community Development Budget, where it is better utilized.
- Legal Funds are expected to increase \$4,600 in preparation for the Greylock Glen Project.
- Marketing and Promotional costs are expected to decrease by \$2,000.

Building Inspector Budget – Decrease of \$33,373 projected.

- The decrease in the Building Inspector Budget is due to a reduction from 3 Full-Time positions to 2 Full-Time positions.

Gas Inspector, Plumbing Inspector, Weights & Measures, Electrical Inspector Budgets – No increase or decrease is projected.

Board of Health Budget – Increase of \$2,196 is projected.

- Higher Nursing Services costs are the reason for the budget increase.



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Town Administrator Mazzucco concluded the presentation to both the Select Board and the Finance Committee.

The Town Administrator was thanked for providing the transparency, and bringing information to the Town of the financial concerns.

Next Steps

The next steps to take in the budget process are for the Select Board to vote on the budget after hearing the department presentations, and then the Finance Committee will vote on the budget. There will likely be a couple of small changes since McCann's allocation went up due to contractual obligations.

General Discussion

Budget Proposal Process

The Department Heads gave input into the Town Budget, and gave their budget proposals to the Town Administrator. Both Department Heads and the Town Administrator worked together to decide what to put forward for the final proposal. Some Department Heads and the Town Administrator had a difference of opinion and both will be shared with the Boards so they can see the differences. Individual Department Head presentations from the DPW, Library, Police Department, and Council on Aging are forthcoming for both Boards to review. The Town Administrator put forward a proposal with the revenues the Town has, and the Department Heads put forth proposals for what is needed to serve the community properly.

Projects

A Finance Committee member noted the Town has used a significant amount of money over the last few years on projects that he felt had put the Town in this financial predicament.

Town Administrator Mazzucco advised for every project that comes up they should be continually evaluated for what the value is and what the cost is. Many projects will provide economic development value, and tax base growth that would be good for the community.

Many of the projects that have been accomplished were with state funds and other types of grant funds, at little cost to the Town. Others have been looked at very carefully to assess the cost of letting them go into disrepair or doing the project, such as the library. The Railroad Station Project has not been completed yet, so its worth cannot be evaluated currently. The Scenic Railway has a great potential toward economic development for this area.



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Motion made to adjourn by Vice Chairman Blanchard

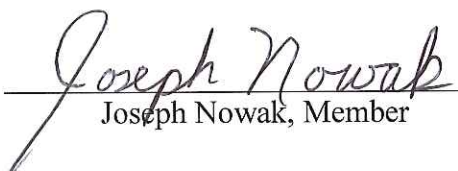
Second by Member Nowak

Unanimous vote


Motion passed

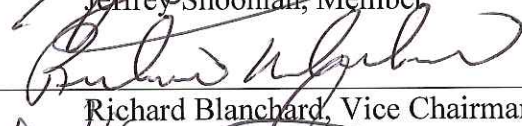
The Select Board Meeting Adjourned at 7:42 pm

Respectfully Submitted by Deborah J. Dunlap,
Recording Secretary.


Joseph Nowak, Member

John Duval, Member


Jeffrey Snoonian, Member


Richard Blanchard, Vice Chairman


Arthur Harrington, Chairman