



TOWN OF DARTMOUTH MASSACHUSETTS

Finance Committee
400 Slocum Road
Dartmouth, MA 02747
Phone (508) 910-1802
Fax (508) 910-1885
cabrantes@town.dartmouth.ma.us

Peter Friedman, Chairman
Greg Lynam, Vice-Chairman

Pursuant to a call to order and notice duly given in the manner required by law and the By-laws of the Town of Dartmouth, a meeting of the Finance Committee was held on Thursday, August 23, 2007 at 7:02 P.M. at the Town Hall Room 315.

MEMBERS PRESENT: Greg Lynam, Peter Friedman, Francis Pettengill, George Jacobs,
Leonard Gonsalves, Larry Fox, Stewart Washburn, Melissa Haskell

MEMBERS ABSENT: Patrick Roth

BEGINNING RESERVE FUND BALANCE: \$630,000
ENDING RESERVE FUND BALANCE: \$551,000

FINANCE COMMITTEE MEETING AGENDA

Thursday, August 23, 2007 at 7:00 P.M.

Room 315

7:00 P.M. Approval of August 14, 2007 Minutes

Approval of Record of Votes Taken August 14, 2007

7:05 P.M. Meeting with the Select Board and Budget and Revenue Task

Force to discuss the following items:

- i) Distribution of School Department Imposed Transportation Fees
- ii) Discussion of issues relevant to long range plan:
 - a) Central purchasing
 - b) Recommendation on limiting % increase in budget
 - c) Establishing a revenue/expense baseline in the Fall prior to budgeting process
 - d) Establishing department budgets as fixed percentages of Town Budget
 - e) Long-term capital needs
 - f) Analysis of service costs vs. privatization of services
 - g) Activity or priority based budgeting

iii) Plan for keeping website content current

9:00 P.M. Adjourn

Scheduled Meeting dates:

August 30 September 6, 13, 20, 27

ACTION ITEMS:

- Letter to SB indicating that we have questions about the 5 year projections and expressing a desire to meet with them should the override pass. (Melissa Haskell to draft letter. Send to Peter Friedman for review and posting.) - DELETED
- 2004 –(Melissa Haskell to request information from Cheryl – *emailed request 7/26/07, Spoke with Bryan Britton and he agreed to .pdf them to me 7/31/07. Emailed 2005 and 2006 out to FinCom on 8/1/07. 08/02/07 – emailed Bryan requesting 2004. 08/09/07 – followed up by telephone with Bryan requesting 2004 management letter. Claire Karvonen indicating that there is no 2004 Management Letter, but following up with the auditor to confirm. 08/10/07 – reminded C. Karvonen via email. 08/14/07- Received email from Cheryl Abrantes that she had spoken with Mary Sahady and no Management Letter was issued in 2004.) – ANY FURTHER ACTION?*
- Peter will contact the Select Board Chair to discuss their representative participating in school department contract negotiations. -COMPLETED
- Greg sending copy of statute related to participating in school department contract negotiations to Peter. -COMPLETED
- Receive a monthly account of Town Revenue – to start by the end of July (08/10/07-reminded C. Karvonen via email) - ?DISCUSS INFORMATION WITH RECEIVED WITH GREG
- Receive an update of legal bill estimates and some sort of a calculation of the variance between budgeted and actual expenses – check at the end of first quarter (unassigned)
- Schedule a meeting with Mary Sahady to review the Town Audit and Management Letter (decide if necessary after reviewing Management Letters)
- Insure that the October Town meeting Schedule A is in the same format as the last Town Meeting so that it is consistent and presented in a format to which Town Meeting Members are accustomed. (unassigned)
- FY07 Departmental Turn Backs requested from Claire Karvonen by G. Lynam (08-02-07- G. Lynam requested from C.Karvonen. 08/09/07- M. Haskell spoke with M. Gagne about turnbacks. He indicated that he thought they should be available next week along with Cooke and Company's estimate as to what the town must put aside for healthcare account. 08/10/07 –Reminded Claire Karvonen via email) -COMPLETED
- Draft a Town Financial Status Report for website (Peter and Greg)
- Informational piece on responsibilities of the Finance Committee for the website (Len Gonsalves)
- Request 2007 final expenditure by department requesting of Claire Karvonen (M.Haskell) (08/10/07 – Requested from C. Karvonen via email.) - COMPLETED
- Record of Votes for July 17, 2007 to M. Courville for posting on website (M. Haskell) (08/10/07- Forwarded to FinCom for approval on 08/14/07)
- Ask for 2007 Management Letter around September 28th (date of last years management letter).

UNSCHEDULED AGENDA ITEMS

- discuss audit and management letter and response - ongoing
- discuss Financial Management Review from DOR - ongoing
- Discuss letters to department heads regarding 2% challenge (Stewart)
- Consistent format for Revenue breakdown (Greg)
- Schedule a meeting with the Personnel Board

IDEAS FOR FURTHER CONSIDERATION

The meeting was called to order at 7:02 pm.

MOTION

Melissa Haskell moved that the meeting minutes from August 14, 2007 be approved as submitted. The motion was seconded by Leonard Gonsalves.

(Vote 8-0-0)

MOTION

Melissa Haskell moved that the Record of Votes Taken from August 14, 2007 be approved as submitted. The motion was seconded by Leonard Gonsalves.

(Vote 8-0-0)

Police Chief Mark Pacheco came before the Finance Committee requesting an emergency transfer from the Reserve Fund for the acquisition of two police cruisers to replace two cruisers that were damaged yesterday and are expected to be totaled by the insurance company. The two cruisers were involved in a traffic stop when they were struck in the rear end. One cruiser was a 2001 Crown Victoria with approximately 137,000 miles, the other was the best car in the fleet, a 2006 Crown Victoria with approximately 53,000 miles. In addition to the damage to the cruisers, there was damage to a laptop, radio and shotgun.

Ford had a major recall on 2008 cruisers. M-H-Q Municipal Vehicles has two fully equipped 2008 Ford Crown Victoria Police Interceptors that have had the recall repairs done to them. If these two cruisers are not acquired now, a significant amount of time will elapse before they can get a police vehicle that will have these repairs. The \$79,000 will provide the police department with two fully equipped vehicles.

Greg Lynam asked about the damage and how it was determined they were beyond repair. Chief Pacheco indicated that the frames of both vehicles were bent, and the location of radio equipment in the trunk led to its damage.

Larry Fox asked how many active cruisers the police force had and how many had less than 100,000 miles on them. The Chief indicated that there are six active cruisers and two have less than 100,000 miles.

An inquiry was made by George Jacobs about turning this case over to Town Counsel. Chief Pacheco did not think it was likely that the insurance company would fight the claim. Mr. Jacobs wondered about the possibility of recovering additional monies through civil proceedings from the operator and suggested that an inquiry be made to see if we have underinsurance. Greg Lynam queried Chief Pacheco about the insurance recover that further as he described it as "woefully inadequate". Mark Pacheco indicated that the figures he gave were preliminary figures based on the year and mileage on the vehicles. Larry Fox asked where insurance proceeds would go and Chief Pacheco said that he thought they went back into an Insurance Recovery Fund.

MOTION

Melissa Haskell moved that \$79,000 be transferred from the Reserve Fund to pay the cost of acquiring two replacement police cruisers. The motion was seconded by Stewart Washburn.

(Vote 8-0-0)

The meeting returned to the posted agenda and began its joint session with the Budget and Revenue Task Force and the Select Board.

Distribution of School Department Imposed Transportation Fees

Peter Friedman, the Finance Committee Chair, gave a brief description of the issue, indicating that he thought the Finance Committee (the "FinCom") should be on record as to whether or not they intended to recommend to Town Meeting that transportation fees charged to school children be returned to the School Department budget.

Greg Lynam indicated that he believes transportation fees are a general government item and not a school item and it is not within the authority of the School Department to impose these fees, but rather the fees should be imposed by the Select Board. Mr. Lynam further questioned how these funds might get back into the school budget. Would there be a need for an annual appropriation? He further pointed out the budgeting difficulties for the Schools associated with this level of uncertainty.

Melissa Haskell asked for clarification on how the transportation fees fit into the nets minimum school spending formula and Mr. Lynam reminded her that they are added back.

Leonard Gonsalves pointed out that this issue is murky because the School Department contracts for special needs transportation and provides some vans for this purpose because they can provide this service more cost effectively. John Nunes, a member of the School Committee, indicted that the School Department did, in fact, have some drivers on their payroll. Mr. Gonsalves and Mr. Lynam have met with the Superintendent and the Business Manager on this issue and Mr. Gonsalves supported the notion of providing an indication to the School Committee about the recommendation the FinCom would make to Town Meeting about the use of these fees because it was Mr. Gonsalves impression that the School Committee was viewing these fees as a way to offset a deficit in this years budget and it needed to be clear from a budgetary standpoint for the School Committee.

Select Board Member Kathleen Horan-McLean indicated that she thought it was the general consensus of the Select Board that the fees collected would go back to the schools subject to appropriation by Town Meeting.

Greg Lynam indicated that there could be a significant short fall in the transportation fees collected versus the \$440,000 in fees that were expected. To date, only 70 transportation tickets had been sold, each costing \$200 per semester.

Larry Fox stated that he felt these fees were discriminatory. It was discrimination against families, particularly those in North Dartmouth and those people that had moved into town in the last seven or eight years and had children in the schools. He viewed all the fees that he would have to pay as a 66% increase in his taxes. John Nunes indicated that there was a cap on the amount of fees one family would pay for transportation and for activities.

Francis Pettengill said that the schools did all the work in collecting these fees and felt they should get the fees distributed back to them.

George Jacobs said that if Mr. Lynam was correct in who had the authority to levy the fees, that any vote in support of returning the fees that were collected should include language that says when and if the fees are properly promulgated that those fees collected should be put back into the school budget. He suggested that we should ask Town Counsel about this issue.

There was discussion and ultimately agreement that, should the School Department be the receiver of these fees, that these funds would be in addition to net minimum school spending. John Nunes made the point that user fees are not transportation fees, in that they stay with the school and are used to offset the costs to support these various activities.

Michael Gagne indicated that Ed Iacaponi was in discussions with the Department of Revenue (“DOR”) about increasing local receipts by this amount.

Discussion ensued about who would absorb the uncertainty associated with the total amount of the fees collected. There were differing opinions. Greg Lynam thought the General Fund was the most capable of absorbing a fluctuation. Peter Friedman pointed out that the School Budget was more than half of the Town’s total budget so they should be capable of absorbing the uncertainty.

Melissa Haskell questioned DOR involvement in this issue. Michael Gagne explained that when the tax rate was set, DOR questioned some local receipts projections made for fiscal year 2008 and, therefore, was requiring that certain information be sent to them. Leonard Gonsalves pointed out that the proposed use of the sale proceeds derived from the sale of the school was a red flag for them because they said that this one time revenue could be used for capital projects and that like revenues must be used for like expenditures.

Select Board Members Joseph Michaud, Natalie Dias and Robert Carney all expressed agreement that the transportation fees collected should go back to the schools.

Peter Friedman asked John Nunes what the best estimate for the amount of fees that would be collected. John Nunes said they did not know. Passes are on sale until August 31st. Leonard Gonsalves pointed out that there is not experience factor here.

Larry Fox pressed John Nunes about how the fees collected would be spent by the School Department and asked if they would be used to fund salary increases. John Nunes indicated the fees would be used to pay for events, stipends and expenses associated with these events.

Select Board Member Michaud asked Larry Fox if his views about the bus fees were representative of those of most parents. Mr. Fox indicated that most parents are aware of the cost, but not the \$1 million in turnbacks and there would be questions about how the fee dollars would be used.

Mr. Nunes said that the School Committee has been discussing these fees since the end of May and informed parents that amount of fees would be impacted by the outcome of the override.

SENSE OF THE MEETING VOTE

Melissa Haskell moved that Finance Committee recommend to Town Meeting that the transportation fees received in the general fund for this fiscal year be returned to the School Department. The motion was seconded by Stewart Washburn.

Vote (7-1-0)

Larry Fox felt there were too many unknowns with regard to the fees and that the vote did not need to happen this evening. He wanted to defer the vote until after August 31st. While he did not disagree with the concepts, he felt a dangerous precedent had been set.

Stewart Washburn indicated that his major question was on the Town side and how much would be collected as part of the pay-as-you-throw program. His concern was that the pay-as-you-throw program might make the \$440,000 School Department issue look insignificant.

Discussion of Issues Relevant to Long Range Plan

Michael Gagne had forwarded comments or position that the Select Board had arrived at on various long range planning ideas. The Select Board wanted to hear any thoughts or comments that the Finance Committee would like to bring to the attention of the Select Board. The Select Board intended to have a meeting on September 11, 2007 to develop a plan to move forward.

Central Purchasing

Michael Gagne indicated that the Director of Budget and Finance is also in charge of Central Purchasing and Procurement. The idea would be to modify the Director of Budget and Finance’s responsibilities so

that he can view purchasing at a much higher level and leave much of the details to the Department Heads, making them more accountable for their purchases. Kathleen Horan-McLean indicated that currently Ed Iacaponi is signing \$100 purchase orders and getting mired in the details. Michael Gagne also said that they would be modifying the purchase order process to meet DOR recommendations.

Greg Lynam questioned the ability of the Town to really centralized purchasing or have the ability to “piggy back” on agreements that yielded the best bids. John Nunes pointed out that the School Department does this for fuel oil. Most other supplies for the Schools are bought off a bid list. There was discussion about expanding the joint purchasing of the Town and the Schools. Currently, Bryan serves as the liaison between the two group. Joseph Michaud suggested the possibility of streamlining the process. The idea of creating some true central purchasing was discussed. Diane Gilbert suggested that perhaps someone other than the Director of Budget and Finance to serve as the Chief Procurement Officer, so that the central purchasing function might encompass all purchasing. Larry Fox said that in his personal experience, the way to streamline this process was to automate it. He offered to discuss the best practices used in private industry as this system was being set up.

Recommendation on Limiting the Percentage Increase in the Budget

Michael Gagne said that based on the recommendation of the Budget and Revenue Task Force and the DOR model, the Select Board was discussing the possibility of changing the budgeting process so that the Finance Committee and the Select Board would come to some agreement on the assumptions in the budget and limiting the increases and having everyone aware of the assumptions and limits.

Joseph Michaud said that Ed Iacaponi had already started putting together an 5-year projection. Peter Friedman said that it would be something that could be refined annually. Select Board Member Horan-McLean said she would expect it to be a conservative projection of revenues.

Peter Friedman reinforced the idea that the Select Board, School Committee and Finance Committee should follow the DOR recommendation and get together in the fall to agree on a budget rather than shooting at a moving target and one week before Town Meeting has a huge revenue increase and the entire budget needs to be revised. He stated that this suggestion was the most important thing in the DOR audit.

Michael Gagne said that Select Board Member Diane Gilbert had forwarded models from the DOR’s website to him and to Ed Iacaponi and they looked like they would be useful.

Joseph Michaud stated that one time revenues should not be used for operating expenses, but only for capital improvements. All were in agreement. Peter Friedman said that more conservatism needs to be built into the budget and Town Meeting should be encouraged to do the same in an effort to set a course for financial stability. Joseph Michaud suggested the Select Board unite with the FinCom in adopting a policy of setting aside reserve fund dollars so as to discourage competing interests on Town Meeting floor from spending the funds some other way. Francis Pettengill recommended that we put half of the free cash into the stabilization fund, bringing amount to 3%, just to get us to a minimum. There was agreement that the Finance Committee and the Select Board should speak with one voice and draft something to be sent to Town Meeting members to help educate them about these issues. Norm Potochney from the Budget and Revenue Task Force said that, as a Town Meeting Member, he would like the information well in advance of Town Meeting to be able to read it. Leonard Gonsalves asked if everyone was in agreement with Mr. Pettengill’s suggestion. He indicated that the FinCom has been fighting this battle for a number of years and the stabilization fund must be funded and not used for operating expenses. Select Board Member Kathleen Horan-McLean hedged saying that while there seems to be the consensus, she would like to reserve judgment until Ed Iacaponi had an opportunity to weigh in on the ramifications. It was noted by Peter Friedman that there are still capital expenses that needed to be paid.

Joseph Michaud noted that there appeared to be a joint policy emerging that one time revenues not be used as operating expenses.

Establishing Department Budgets as Fixed Percentages of Town Budget

There was discussion about establishing a fixed portion of the budget to be available for schools, but it was noted that the percentage would be above net minimum school spending. Gregory Lynam highlighted the difficulty in the Schools being unable to plan because of the uncertainty of the budget and the lack of a reserve fund that they administer. Michael Gagne pointed out that the Stabilization Fund and the Reserve Fund were for town wide purposes. Stewart Washburn pointed out the lack of a system of checks for a School Committee administered reserve fund. Several FinCom members expressed a desire to maintain the flexibility of the reserve fund by not setting aside a specific portion for schools.

Long Term Capital Needs

Michael Gagne said that in terms of long term capital needs, the whole issue is being relooked at. Priorities are being reviewed. The Capital Improvements Committee was highlighted as a resource by Stewart Washburn. Michael Gagne indicated that he and Ed Iacaponi worked with them very closely.

Larry Fox noted the need to have a systematic replacement of school computers that would be followed and hoped that they would not be dropped from the list again. There was consensus that capital need needed to be addressed. It was Peter Friedman's suggestion that a set percentage of funds be budgeted for long-term capital needs. Michael Gagne indicated that an argument needed to be made to the public that it is more costly to defer these items in the long run. Several examples were cited including road repairs that were more extensive because of the delay versus needing just resurfacing.

Privatization

On the issue of privatization, Select Board Chair Kathleen Horan-McLean said they were setting up a task force or an ad hoc committee that consists of one DPW representative and two independent parties to look at the issue. She further indicated that all areas are open to review including trash pick-up, snowplowing and custodial services.

Activity or Priority Based Budgeting

Michael Gagne said that this suggestion came out of the Budget and Revenue Task Force. There was general agreement that the Select Board and Finance Committee may need to go back and review the priorities they set with regard to budgets before the last Town Meeting. Greg Lynam pointed out that the budget projections he was seeing were not realistic. For example the Voke budget was projected to only increase by 4% and the health care cost were only projected to increase by 10%, rates that are lower than we have seen historically. Joseph Michaud indicated he would be more comfortable discussing this with Ed Iacaponi in attendance. The point was made that we are running out of land to develop and the rate of new growth is declining. Norm Potochney made the point that as real estate values decline, so will assessments and collections.

MOTION

Melissa Haskell moved that the meeting be adjourned. Larry Fox seconded the motion.
(Vote 8-0-0)

The meeting was adjourned at 9:14 P.M.

Respectfully submitted,

Melissa Haskell
Clerk