



Town of Medway

FINANCE COMMITTEE

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Minutes of Finance Committee-Final Version

DATE: March 14, 2007

LOCATION: Sanford Hall – Medway Town Offices
155 Village Street
Medway, MA 02053

PRESENT: Diane Coulter, Rob Kenney, Frank Faist, Joy Smith Dahl, Judy Yasi, Tom Shea, Phil Giangarra, Phyllis Cerel, Steven Chilinski, Ned Myers

GUESTS: Susan Connolly, Tina Wright, Rondi Chapman, Dave D’Amico, Dennis Crowley, Kent Scott, Suzanne Kennedy, Jim Galligan, Rich Dunne, Larry Ellsworth

PURPOSE: Review Capital Improvement Plan

Diane Coulter called the Finance Committee (Fin Com) Meeting to order at 7:05 p.m. at Sanford Hall.

Diane requested a motion for approval of 3-7-2007 Fin Com Meeting Minutes.

Joy made a motion to approve the 3-7-2007. Tom seconded the motion and it was approved by all present. Ned Myers did not vote as he was not at the meeting at this time.

ACTION ITEM: Liz to forward 3-7-2007 minutes and updated Fin Com meeting Schedule to Dave D’Amico to be placed on town website.

Suzanne Kennedy then dispersed the following documents to all present Fin Com Members:

1. Capital Improvement Plan (CIP)
2. FY07 Actual, FY-8 Requested Budget (working document)
3. Revised Town Meeting Calendar

4. Budget Discussion/Action Items dated 3-14-2007

Suzanne stated the following regarding the Capital Improvement Plan document:

- Requesting that the Fin Com focus on FY08 items at this time due to time constraints which should include High School handicap ramp, McGovern parking lot, Streets
- Need to look at prior documentation sent to all regarding Policy and Procedures for CIP
- Felt this document is important for the town residents to see
- Missing the Police Department's requests
- Thank you to Dave D'Amico for receiving all the Department's requests and putting this report together.
- Definition of CIP project is Cost = minimum\$5,000 Useful Life = minimum10 years

Discussion ensued regarding process of decision making around CIP.

- Jim Galligan asked; is the source of funding a decision parameter? Cash/lease to purchase/bonding?
- Dave D'Amico stated that if we know how much debt service the town can carry for FY08, then the Fin Com would have more information to make decisions
- Suzanne stated that the Town's debt service is approximately 10% of the Town's annual budget. The Town should strive to maintain a level-funded debt service.
- Suzanne stated those items that use little or zero money from the General Fund should be ranked higher than those that do
- Exclusion of enterprise related items for FY08
- Should department heads be available to Fin Com to support decision making?
- Tom stated there are emergency projects on this that must be funded, new well, High school handicap ramp, McGovern parking lot

ACTION ITEM: Dave to rank order FY08 CIPs and forward to Board Of Selectmen (BOS) + Fin Com Members in .pdf format to support decision making.

ACTION ITEM: Suzanne to work with Barbara to provide BOS + Fin Com with debt services plan report detailing over 10yrs at \$25,000, \$50,000, \$75,000 debt services to support decision making.

ACTION ITEM: BOS will provide Fin Com with their recommendations for FY08 CIP projects to support Fin Com decision making.

ACTION ITEM: Liz to e-mail latest Fin Com Meeting Schedule to Suzanne.

The next document discussed was the working FY07 Actual/FY08 Requested Budget.

The discrepancy between the level funding/level service for the school was questioned.

- Suzanne stated this was due to the decrease in costs of health insurance, worker's compensation, and general liability

Suzanne stated this document is assuming the Governor's full \$1.1 million House1 budget.

Suzanne stated that the Fin Com must consider the town's levy capacity when developing the FY08 budget.

Tom asked what happens to any excess assessor's overlay money from FY07-FY08?

Suzanne stated that each year's overlay reserve must remain until the Board of Assessors vote to relinquish any surplus funds to the General Fund.

State Rep Vallee will be present at next Monday's BOS meeting and will hopefully have more insight into the budget numbers the state will provide.

Diane will attend next Monday's BOS meeting.

Tom, Rob, and Suzanne stated that it is better to budget on the conservative side.

Suzanne stated that the Water/Sewer is still discussing their budget and the Board of Health just signed off on the indirect cost allocation.

Dave stated that the Waste + Municipal contracts are not settled at this point.

Discussion regarding the Unclassified funds and stabilization/reserve funding followed.

Diane asked Dave about the Storm Fund and much discussion followed.

Suzanne stated not to transfer funds out of the existing fund but put into reserve fund as this budget number is totally unpredictable based on how many storms we have.

ACTION ITEM: Suzanne will contact the DOR as ask about the ability to transfer money out of a reserve fund to an existing cost center.

Tom stated he is not comfortable with the major budget assumption utilizing the entire \$1.1 Million House1.

All Fin Com members agreed.

Much discussion ensued regarding allocation of funding of health care costs as this is again totally unpredictable based on major life changing events, i.e. marriage so going from individual to family insurance.

A guest voiced a concern regarding the impact on Human Resource practices of this way of allocating this money, specifically, hiring and legality.

Suzanne stated that the health care money is managed centrally but allocated de-centrally and if there are considerable changes requiring moving of monies the process is:

- Department Head notifies the Town Accountant and Town Administrator
- An Article is developed for transferring the money out of the reserve fund
- A Special Town Meeting would be needed

Suzanne stated:

- Stabilization and reserve funds are established for those budget line items that can be volatile, i.e. Health care costs, Storm, Snow+Ice, etc.
- Their purpose is to try and plan to offset catastrophes.
- The statues changed allowing stabilization funds to be set up much more easily
- Snow+Ice has \$75,000
- Health Insurance has \$25,000
- Ambulance Fund may need up to \$50,000 in seed money from the General Fund...Suzanne needs to work with the Chief, Frank and Judy to get this number more solid
- Suzanne is recommending the salary settlement monies be moved into the Fin Com Reserve because once the outstanding union negotiations occur, the money could easily be moved from Fin Com Reserve otherwise a Special Town Meeting needs to occur.
- Suzanne stated the Department of Revenue(DOR) found that the prior staff was illegally moving money between certain funds so putting the salary settlement funds into Fin Com Reserve would allow us to move funds legally
- Suzanne met with Wendy regarding the Library budget and there is still outstanding information to come from that Department affecting the requested FY08 numbers.
- Suzanne stated Animal Control budget is still a soft number as she and Barbara met with Millis staff and presented the specific costs Medway is incurring.
- This information was not available from Millis.
- Once this information is available, both towns can determine total cost of doing business for this cost center and based on percent usage (Medway is >50%), determine this budget item for Medway
- Suzanne was unclear as to separating the Retirees out.

- Liz clarified that this came from Tina Wright at the 3-7 Fin Com meeting stating that most Medway Residents do not have the Finance/P+L knowledge to understand that even though a Department has “all this money”, most of that money is not accessible/uncontrollable by that Department Head
- If the budget money could be displayed in a way that the residents can see in a more simple way what the Department actually has for day to day controllable money that would be a great help
- Each Department’s total budget money can be expressed in 2 ways
 - Fixed costs/money I can’t touch, i.e. Retirees, Health benefits, etc.
 - Non-Fixed costs/money I have the ability to control, i.e. #personnel in department

Much discussion ensued regarding where the Retirement costs should be expressed.

Suzanne stated she will provide a document containing a table available to residents at Town Meeting that should provide the residents with this information.

Kent stated that we have to date only set up these funds for the budget areas that have killed us in the past, i.e. Health, Snow+Ice.

Suzanne stated:

- Stabilization funds require 2/3rds vote at Town Meeting.
- Reserve funds stay from year to year and accumulate.
- Caution to not over fund these from year to year must be taken as this will result in our inability to support existing operating budgets.

Joy asked about the Tri-County Vocational budget being lower?

Suzanne stated:

- This is still a soft number.
- This number came from the new Director.

Suzanne stated that:

- A Request For Proposal(RFP) is out for Property and General Liability Insurance impacting these budget numbers
- Police and Fire are still not finalized

Larry Ellsworth asked about the \$1.1 million assumption.

Suzanne stated that the budget assumption for local receipts was very conservative.

The question of the final Overlay number was raised.

Jim stated the BOS is still waiting for this information from Pace-Town Assessor.

Diane asked when the Fin Com will be provided with more solid budget numbers to support Budgeting and CIP decision making?

Suzanne and Barbara stated they will get these numbers to the Fin Com ASAP.

BOS will provide Fin Com with CIP recommendations after next BOS meeting.

ACTION ITEM: Next Fin Com meeting, Frank and Judy will present the Ambulance Fund issues.

Judy motioned to end the FinCom meeting at 8:45 p.m. The motion was seconded by Frank and approved by all.

Respectfully submitted,

Liz Langley
Finance Committee Secretary