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K. Kelly, Asst
ORLEANS TOWN CLERK

FINANCE COMMITTEE MINUTES

The January 17, 2013 meeting of the Orleans Finance Committee was convened by Chairman Ms Gwen Holden-Kelly at 7:00 pm in the Nauset Room of the Orleans Town Hall. Present and constituting a quorum were members Mr. Dale Fuller, Mr. Laurence Hayward, Mr. Joshua Larson, Mr. John Laurino, Mr. Paul Rooker, and Mr. Rick Sigel. Absent were members Mr. Mark Carron and Mr. William Weil.

Public Comment

None

Approval of Minutes 2:05 on video recording

On a motion made by Mr. Larson, seconded by Mr. Sigel, the minutes of the January 10, 2013 Finance Committee meeting were approved as amended 5-0-2 with Mr. Hayward and Mr. Laurino abstaining from the vote.

Nauset Regional School FY 2014 Revenue 2:30 on video recording

Ms Holden-Kelly opened the discussion by asking Mr. Larson and Mr. Hayward to expand on the first set of the Nauset Regional School District FY2014 budget documents in preparation for a possible meeting with the OES Finance Committee and Nauset Regional School Committee Representatives. This meeting will be held on January 23rd, 2013 in conjunction with the joint budget review.

Mr. Larson began the school budget discussion by focusing on a summary of the revenue being generated by the schools. He referenced several handouts, noting details on how the district is generating revenue. The largest item of revenue was state based aid, which has increased only \$52,000 from last year, and the second largest line item was tuition. As previously discussed in last week's finance committee meeting, NHRS Principal Tom Conrad has been successful in recruiting choice students, as well as retaining current students utilizing the choice option. This resulted in choice tuition increasing significantly. State transportation aid was shown to have been reduced by \$11,000. Circuit breaker funds were also reduced due to budget cuts.

Mr. Larson continued by explaining additional sources of revenue, including certified E&D money amounting to \$877,000. Mr. Larson questioned whether this was a sustainable source of revenue or a working capital balance that had grown over the years, and whether it was available to be spent on the budget. Circuit breaker funds were up to \$180,000, resulting in additional revenue amounting to \$1.7 million.

Mr. Larson went on to project revenue for this coming year, which will influence the budget the Finance Committee will vote on. Nauset Regional School District is expected to keep state aid level, whereas there will be a revenue level increase in charter school aid. State transportation aid should also remain level. The district is also adding significant amounts to tuition from Truro and Provincetown students due to the Provincetown high school closing. The other line items are not as significant, as much of the main revenue is coming from choice students. International students are an additional source of revenue, anticipated to be \$80,000. Principal Conrad is willing to take on as many international students as the district is allowed to accept, capping the number only when the total reaches the number of students that requires the addition of an ESL course.

Some concerns about the school's revenue were voiced by Ms Holden-Kelly, who suggested that the school should clarify some of their funding sources, such as free cash, and how they are moving money among line items, as well as their plans on presenting the budget. Mr. Fuller added to these concerns commenting that there was a \$500,000 increase in revenue last spring that was not planned in the school system's budget, questioning how the money was used, and where the money is now. Mr. Larson responded that these concerns should be answered when the School District's full budget comes out in two weeks.

Mr. Larson observed that assuming the budget is approved, the projected increase amounts to 4.39%. This is more than anticipated, but the increase in revenue results in the town's assessments going up very little. Though this is not the budget in its final form, these figures indicate that the school district is increasing revenue and using excess E&D to absorb some of the town assessment. Mr. Fuller recommended the Committee find the exact percentage that will effect the town assessments.

Nauset Regional School FY 2014 Budget 19:35 on video recording

Mr. Hayward turned the discussion to the expense budgets of the Middle and High schools. He opened with the head count of the students, counting only permanent residents, which did not include choice students. He reported that there are 490 regional students in the Middle School, and 695 regional students in the High School. The rest of the total is made up of choice students and non-residents. Mr. Hayward reminded the Finance Committee that the assessments to the towns are based on these numbers, which are now fixed. He noted that many of the large increases in the budget were due to the necessary upgrade of materials or teaching. He recognized many teaching tools were desperately needed, such as replacing Spanish textbooks from 1996 to current texts. Mr. Hayward felt that many of the expenditures were wisely spent on purchasing new teaching materials for the students. Keeping to the guideline of 3%, the middle school was up 2.7% for their proposed budget. Mr. Laurino noted that the budget allowed around \$13,000 per student, and suggested that a call should be made to a neighboring district such as Harwich to benchmark the cost per student.

Mr. Hayward then moved the discussion to the High School budget. The High School budget appeared to be up \$300,000, which is over the 3% guideline. However, there did not appear to be as many large percentage changes. Mr. Hayward noted that there needed to be additional detail in these budget explanations addressing the reasoning behind these increases, and explaining some of the additional expenditures. Mr. Hayward agreed there should be more details in the budget to explain these differences, highlighting the example of the middle school requesting an additional part-time custodian, but not giving any explanation as to why this was needed.

After reviewing the numbers, Mr. Fuller noted some errors in the percentages versus the grand total. Mr. Larson responded that the cells were not correct on the spreadsheet, resulting in wrong percentages. The correct high school budget increased by 1.736% for regular aid, and 11.457% for special aid. The special aid is a much larger percentage due to state mandates such as transportation.

Ms Holden-Kelly recommended Mr. Hayward or Mr. Larson speak with school district officials to clarify some of these expenditures and details.

Board of Selectman 2014 Budget Review Meeting Dates 40:14 on video recording

Ms Holden-Kelly turned the discussion to a review of the dates for the joint Finance Committee/Board of Selectman budget meetings. She began by reiterating the overall agendas for these meetings, as well as correcting some dates that had changed from the agenda. She stated that all four meetings would be located at 7:00 pm in the Nauset Room in the Orleans Town Hall, and emphasized the need for a quorum.

- Tuesday, January 22: Parks and Beaches
 - Ms. Holden-Kelly reminded the Finance Committee that they will be chairing this meeting, and the committee will stay in session after the joint meeting with the board in order to prepare for the coming weeks.
- Wednesday, January 23: Highway Department and possibly Regional School District Representatives
- Thursday, January 24: Canceled
- Wednesday, January 30: Joint FinCom/BoS budget review session, Police Department
- Thursday, January 31: Joint FinCom/BoS budget review session, Fire Department

Parks and Beaches Department Budget Overview 45:41 on video recording

Ms Holden-Kelly turned the discussion to the overview of the budget for Parks and Beaches. After discussing the Parks and Beaches budget, an issue list was made up from concerns that arose from the overview:

- Amount of salary turn backs in Parks and Beaches is consistently high.
- Increase of 4.16% from last year's budget seems to be primarily a matter of new department head's salary.
- Zero-based budget was agreed last fall does not seem to be in process.

- Concerns about the appointment timetable for a new Parks and Beaches head, as well as interim management of the department in the absence of a head.
- There appears to be a lack of planning and spending on provisions for shark-related beach issues. There seem to be no provisions for this issue, such as the expense for the towers, patrols, and controls discussed in past meetings.
- Concern about cost of cell phones differing in different departments.
- Beach parking should be increased, and there are many untapped revenue sources.
- Status of the Gavagan property.

Ms Holden-Kelly then transitioned the discussion to the other three departments under Parks and Beaches (the Town Building, Community Center, and Windmill). She also reminded the Committee that all the departments including Parks and Beaches, Highways, Water, and Shellfish/Harbormaster will now report to one department, with only the Fire and Police retaining separate departments. When reviewing the budgets the only issue that seemed questionable was the budget proposal to make the community center a historic building. Some departments in town wanted to use funds to conduct a feasibility study to see if the community center can be considered a historic building, despite a possible disqualification for modifications done to the building over the years. There were issues with this request, such as a source of funding, as the Community Preservation Fund cannot make such expenditures unless the building is already deemed historic. There were also concerns about what the Town of Orleans would do with the building if it was named historic, as well as whether its use would be constrained if it was classified as historic.

Highway Department Budget Overview 85:01 on video recording

The Finance Committee then moved on to discuss the Highway Budget. Ms Holden-Kelly recommended that before the highway budget meeting begins, there should be questions about why manager salaries are increasing by 6.64%, and also the need to re-print the salary breakdown page.

Upon reviewing the Highway Budget, there were four main categories: trees, main highway budget, snow removal, and the Transfer Station.

Trees:

- No significant budget changes. The main question was why the manager salary had increased, and if the tree warden had enough money to tree trim and perform his required duties.

Main Highway Budget:

- Questions arose as to why there was a heavy increase in the budget by \$10,000 for lining roads, compared to Parks and Beaches which had no budget increase for lining their parking lots.
- There were also questions on the equipment decrease of \$9,000, though the department was given \$12,000, resulting in a missing \$3,000.

- While the Committee noted there was a \$22,000 cost drop for in-house engineering capabilities, this could be explained by the intention to hire someone with engineering skills.
- Mr. D. Fuller noted that the justification for engineering support under the line item Engineering Consultation shows \$10,000, compared to only \$2,000 last year. In addition, last year the department had \$30,000 set aside for a consultant familiar with the federal process for tech support in storm water regulation. This budget no longer accounts for that money.
- It was noticed that there were inconsistencies in the miles of highway in town. The Capital Budget reads 56 miles, the Highway Budget reads 53 miles, and the Snow Removal Budget reads 55 miles.

Snow:

- Upon discussing the snow budget, it was understood that most years' snow budget are close to or under budget. The budget is put together based on a five-year moving average, but the budget under state law can be overspent. If the money is not used it is entered into free cash. If more money is necessary the reserve fund can be used before asking for assistance from the state.

Transfer Station:

- There seems to be no agreement on the level of revenue that the Transfer Station should bring in relative to costs. For the last complete fiscal year income was \$423,599. The proposed budget for 2014 is \$452,782. There is a need to clarify if all money from disposal is transfer station money.

Summary of format at Highway Budget Meeting:

- Ms Holden-Kelly summarized the plan for meeting with the Highway Department. She will ask the initial questions focusing on why the salary percentages are going up, then Mr. Rooker will lead the rest of the discussion about expense carryover questions etc.

Status Updates 109:32 on video recording

- Ms Holden-Kelly informed the Committee that the Board of Selectmen voted not to extend the Tri-Town facility agreement when it expires on May 20, 2015.
- Ms Holden-Kelly also had an opportunity to speak with John Kelly about February 14 CIP hearing, and the Finance Committee's preference to review the capital plan for fiscal year 2014 before the hearing starts. John Kelly is aware this will be the format, and on that evening the Finance Committee will focus on this issue.

Board, Committee, and Department Reports 111:52 on video recording

- Liaison report on Board of Water & Sewer Commissioners [Gwen Holden Kelly]
 - A notable point in the meeting was the review of the CWMP and the Waste Water Phase 1A plan. The commissioners are planning to communicate to the board their full support of the Fuller plan, on the condition it does not preclude

- other CWMP phases. A sample of language from George Meservey's powerpoint reveals that the plant will be small and have no planned additions.
- Board of Selectmen Report: Jan. 15, 2013; Jan. 16, 2013 [Paul Rooker]
 - The overview of the budget proposed by the town administrator included an increase by 1% in town revenues, a 1% increase in tax expenses, and a near 4% increase in property tax revenues. Mr. Rooker understood the policy to be enacted to limit the budget expenses to a 3% increase year over year. In order for this to work general expenses would be limited to 1.4%, and it is recommended that non school expenses go up 2.5%. However, because of a decline in capital expenditures and debt, the increase is only 1%. This is one of the reasons property taxes will go up significantly, as there is a projected decrease in non-property tax revenue. This is sourced by free cash and funds reserved for appropriation. Salary and wages are up 4.2%. It is important to note that these numbers are not fully reflected in the school budget numbers. This is shown by Orleans Elementary, which shows a 17% increase in fringe benefits, which results in a 3% increase in salaries. This would mean an overall budget increase of 8%. That increase will not be accounted for in the school budgets that the Finance Committee will be viewing, though the town position on the school budget and town budget is that they are linked and should not increase by more than 3%.
 - Many of these numbers were taken from the memo in the front of the budget binder, and showed the allocated portion of the numbers for the Nauset Regional Schools on an operating basis were consistent. However, the state has been reimbursing the Nauset School System \$200,000 every year, which payments stop this year.

Future meetings 122:22


- Jan. 22, 2013: The Financial Committee will continue in regular session following conclusion of the joint budget review session they will chair:
 - Joint FinCom/BoS budget review session, Parks and Beaches.
 - Preparation for January 30 and 31 meetings.

Ms Holden-Kelly asked Committee members to be mindful of the need for a quorum at all upcoming meetings and to warn well in advance if any plans changed that might make it difficult to reach a quorum.

Adjournment 123:00 on video recording

There being no further business before the Committee, Mr. Larson moved to adjourn. Mr. Sigel seconded the motion and the meeting was adjourned at 9:06 pm.

Respectfully submitted


Joshua Larson
Secretary

Susan Belgrade
Temporary Recording Secretary

Next Meeting
Tuesday, January 22, 2013