



# Town of Wayland Massachusetts

## **Finance Committee**

Paul Grasso  
Thomas Greenaway  
David J. Gutschenritter  
Cherry C. Karlson (Chair)  
Sam H. Peper  
Richard M. Stack  
Bill Steinberg

## **Finance Committee Meeting Minutes June 27, 2011**

The meeting was called to order at 7:07 PM in the School Committee Room at the Wayland town building.

**Attendance:** D. Gutschenritter, B. Steinberg, P. Grasso, C. Karlson, T. Greenaway, S. Peper. Also Attending: Mike DiPietro, Finance Director.

### **1. Joint meeting with Operational Review Committee, Board of Selectmen and School Committee**

The Committee attended the presentation by the Operational Review Committee (ORC) of the Phase 1 Report of the Abrahams Group. The ORC reviewed its findings and recommendations (attached).

### **2. Update on Wayland Energy Initiative efforts**

Town Administrator Turkington briefed the School Committee, the Finance Committee and the Board of Selectmen on the approximately \$20,000 cost to the town for an enhanced energy audit.

At 8:00 PM, the Committee recessed in order to allow members Grasso, Gutschenritter and Karlson to attend their interviews before the Board of Selectmen.

At 8:58 PM, the Committee came back into session in the Senior Center.

### **3. Public Comment**

None.

### **4. Review/vote minutes - May 10, June 20**

May 10, 2011 – Approved as amended, 6-0

June 20, 2011 – Approved without amendment, 6-0.

**5. FY12 preparation: Liaison assignments**

FY12 Liaison Assignments

Dept/Committee/Board	FinCom Member
Board of Assessors	Greenaway
Board of Health	Greenaway
Conservation	Peper
Council on Aging	Steinberg
DPW	Gutschenritter, Steinberg
Facilities	Peper
Library	Grasso
Planning Board	Steinberg
Recreation	Stack
Public Safety	Stack
Schools	Grasso, Karlson

**Calendar for FY12 (draft) and meeting dates**

See attached agreed draft schedule.

**6. Chairman’s update**

None.

**7. CIP: follow-up discussion of evaluation criteria**

Short discussion on draft CIP form, emphasizing need for boards and departments to populate the forms with requested information.

**8. FinCom Members’ and Finance Director reports and concerns**

No reserve fund transfers for FY11 requested.

The FY11 facilities department budget is projected to underrun by approximately \$200,000, so the Finance Director recommended funding the Town’s share of the proposed energy audits from the facilities department budget. Motion to support the efforts of the Wayland Energy Efficiency Committee by allowing up to \$25,000 in energy savings in the FY11 facilities department budget to be used to fund the Town’s share of the Energy Initiative. Motion carries: 6-0.

D. Gutschenritter noted that the Committee had received an email from an interested citizen inquiring as to the cost to the town of moving from Aaa to Aa on a bond rating, and then from Aa to A. Eastern Bank commented that the cost was about 4 basis points to go from Aaa to Aa, and 4 basis points again to go from Aa to A. State Street’s municipal bond desk remarked that the cost would be more along the lines of 10 basis points to move from Aaa to Aa, and around 35 basis points to move from Aa to A. Mr. Gutschenritter noted that spreads between notches are tighter now than in more normal market conditions. Mr. Gutschenritter also noted that a bond rating is a function of many different variables and factors,

not just free cash. Mr. Gutschenritter also pointed out that once a Aaa bond rating is lost, it is practically impossible for the debtor to recover such a high rating.

B. Steinberg noted that once the ORC findings and recommendations have been considered by the Committee, we should consider how best to publically address how the Committee plans to respond, without waiting for Annual Town Meeting or the Warrant.

### **9. Follow-up and Future Agenda Items**

None.

### **Adjourn**

At 9:57 PM a motion was made and seconded to adjourn the meeting. The motion carried and the meeting was adjourned.

Respectfully submitted,

Thomas Greenaway

June 27, 2011

To the Members of Board of Selectmen, Finance Committee and School Committee:

Enclosed are the insights of the Operations Review Committee (“ORC”) on The Abrahams Group Report Part I. The intent of this document is to provide the aforementioned committees with the ORC’s views and inputs on the Abrahams Group’s recommendations. These views are based on discussions with the members of the Abrahams Group as well as the respective process owners of the Town and the Schools. They reflect the collective thoughts of the ORC based on these discussions and where appropriate, we have noted specific comments by one of the constituents that we spoke to.

We look forward to sharing this with you and responding to any of your questions or concerns.

Regards,

The Operational Review Committee

John Bladon

Rebecca Chasen (Chair)

Barbara Fletcher

Paul Grasso (Co-Chair)

Shawn Kinney

## ***I. SCHOOL BUDGET AND INTERIM FINANCIAL REPORTING***

### ***Finding 1:***

***Budget as proposed to the School Committee needs improvement as a communication tool, policy document and annual financial plan.***

The ORC believes this recommendation is reasonable and appropriate. We believe that the recommendation should represent a reporting guideline to the School Committee and those responsible for preparing the information and is a good starting point. That being said, the ORC would recommend that there be some flexibility in the information to be reported that is recommended by the Abrahams Group in its report. The ORC believes that the narrative is the key element to providing insight to fluctuations or changes in the budget. Therefore, this should be a priority in implementation. In addition, consideration should be given to budget worksheets supporting the budget.

The ORC noted through its discussions with the Business Administrator, the non personnel portion of the budget for FY 12 was completed in MUNIS. This task was given to the respective administrators and was then returned to the Business Office in the format recommended by the Abrahams Group. These were returned either at the object code level or at the department level and were then input by the Business Administrative office personnel. Non personnel actual expenses will be recorded into MUNIS in the recommended format through the normal course of business during the fiscal year.

The personnel portion of the budget information has also been input into MUNIS for FY 12. This was performed by the Business Administrator and the Human Resources Director.

It is expected that the FY 11 actual personnel and non personnel costs will be input into MUNIS in a similar way, as part of the implementation of Article 8 passed at the April 2011 Annual Town Meeting.

An analysis of FTE levels has begun but as of now it is still difficult to record in MUNIS. It is anticipated that with current staffing levels, this would take the entire fiscal year to complete.

In conclusion, Appendix IIc could be completed by dollars but not by FTEs. Appendix IIe could be done as recommended with the exception of the projected column. Appendix IIb and Appendix II d may or may not be completed depending on timing of additional resources.

The Operational Review Committee recommends that the School Committee and the Business Administrator evaluate the budget format at the end of the FY 12 to determine how well the reporting format is working in terms of providing meaningful information. If there are minor adjustments to be made to make the process more efficient, this then should be considered for implementation in the following fiscal year.

### ***Finding 2***

***Need for adoption of a consistent format of each school and department's proposed budget and for measurement of spending and obligations against budget.***

The ORC noted through its discussions with the Business Administrator, that a consistent format is being applied over all of the sites and departments for FY 12. The objects codes used in FY 12 represent the guidelines provided by the Abrahams Group for the object codes. These will be adjusted in the upcoming fiscal years based on the needs of the school and the School Committee as well as the effectiveness of these codes.

### ***Finding 3***

***Need to Institute a Formal Budget Order/Vote of School Committee as the baseline for Policy Level Control and Transfer***

Based on current reporting capabilities, if the School Committee wishes to implement a formal budget order that requires approval by School Committee for transfers between sites, this could be done for non-personnel costs.

A projection tool is needed to be able to identify the need for transfers between site personnel budgets and non-personnel budgets. This tool is being implemented in FY 12. However, the quality of this will also be enhanced by having FTE information included in MUNIS in order to make it effective for a formal approval by the School Committee.

The ORC believes that it is the School Committee's decision as to whether or not to implement the associated recommendation to this finding.

***Finding 4***

***Need to strengthen the roles of Principals and School Department Heads in the budget process (Development of the budget and administration of the adopted budget)***

It was noted by the ORC that efforts are underway to implement these recommendations.

In order to strengthen the roles of the Principals and the School Department Heads, training is necessary. There currently is no specific budget allocated for licensing and training. Despite this, some training is being provided. The initial focus of the training will be on the procurement process.

During FY 12 a lot of work will be done to allow for the possibility of Department Heads and Principals to directly enter non personnel budget information into MUNIS for FY 13.

The personnel portion of the budget should be targeted for at least partial implementation for the FY 14 budget, but we suggest that the School Committee remain flexible based on results of Article 8 which could lay the groundwork for the use of MUNIS for all relevant information.

The recommendation states that Principals and Department Heads should be responsible for presenting their budget request to the School Committee. It is the recommendation of the ORC that the Superintendent/School Business Administrator present the budget information to the School Committee based on detail provided by the Department Heads. The ORC believes it should be at the discretion of the School Committee as to whom else they would like a report from as part of the budgeting process.

The ORC agrees with the Abrahams Group recommendation for School Committee approval for budget transfer. However, the ORC would recommend that the school committee consider putting in an appropriate threshold for budget transfer approvals.

***Finding 5***

***Need to clarify the role of the School Business Administrator***

The School Committee should consider developing a formal policy to describe the reporting structure between the School Committee and the Business Administrator. This is needed to avoid the inherent conflict of interest for the Business Administrator between the School Committee and the Superintendent of Schools. This policy should also clarify that while all members of the School Committee have access to the Business Administrator, it is the collective School Committee that provides direction to the Business Administrator.

***Finding 6***

***Need to "turn on" MUNIS budget controls in order to facilitate management of the budget and to prevent spending from accounts that do not have adequate balances. In the past, while the total school appropriation is not overspent, various accounts/areas are over spent or deficient spent.***

This finding and recommendation is appropriate for the purchasing module of MUNIS. However, at this time, the purchasing module has not been implemented. The ORC recommends this be considered as part of the implementation of the purchasing module.

***Finding 7***

***Enhance the clarity, soundness and administration of the annual school budget by more widespread use of encumbrance accounting.***

The process of encumbering non-personnel costs is underway and is being manually done now. There is some variety in practice which would be diminished through the implementation of the electronic requisition process which is likely 6-9 months away.

For personnel costs, the School Committee should consider the position controls as an alternative to the encumbrance process. This process needs to be evaluated more before implementation. Therefore it is recommended that the Business Administrator talk to other towns who have implemented such accounting policies.

***Finding 8***

***Need to institute a process to assure required DESE filings and required reports are submitted.***

This is already in process. The Abrahams Group is under contract to prepare FY 10 reports. DESE has been made aware of the status of delinquent filings. FY 09 is complete and FY 08 is in process.

It is also noted that the Town has hired a new auditor who will be responsible for this reporting and related filings in the future. The ORC agrees that this should be a standing agenda item. It is recommended that this be on the agenda for the February or early March time frame.

The ORC does not believe that the cost of preparing an FY '07 report is worth doing for the benefit received.

***Findings 9***

***The town and the school department need to document and sign an indirect cost agreement.***

The Business Administrator presented a draft agreement to the School Committee on June 20<sup>th</sup>. It is currently under review by the School Committee and expected to be completed prior to the start of the school year.

***Finding 10 & 11***

***It has not been the practice of the school administration to provide interim budgets and financial reports to the School Committee or to the community to allow monitoring and understanding of the adopted budget through the fiscal year.***

***Need to budget and provide interim financial reporting on all Non-General Funds of the School Department.***

The ORC and the School Business Administrator agree with these findings and believe that the related recommendations could be implemented by Q1 of FY 12. The Business Administrator has a template he has used previously to facilitate this process, and the ORC is comfortable with the format if the School Committee and the Business Administrator agree.

***Finding 12***

***Need to determine/define authorized/unauthorized expenditures***

The ORC recommends that the School Committee's Policy Subcommittee address this finding. We recommend considering reaching out to peer communities to get sample policies and develop a formal policy with a monitoring mechanism.

***Finding 13***

***The School chart of accounts supports Site/Department; Activity and object budgeting as well as reporting to the state's DESE. It requires minor change.***

Some of these changes have been implemented by the Business Administrator already and he will continue to evaluate the object codes for budgetary and reporting relevance after review after the completion of the current fiscal year. The ORC believes that this should be an iterative process.

***II TOWN BUDGET AND INTERIM FINANCIAL REPORTING***

***Finding 1***

***Current budget request process provides expenditure numbers only to the Finance Committee***

Based on the number of departments within the Town and the lack of identified budget indicators/performance measures, the ORC believes that the Town should take a phased approach. We believe that the narrative and the presentation of historical, current and planned staffing should be implemented in the current year. In order to complete this process, it is believed that the individual departments could use the historical information from the Annual Report and augment with budgetary information for submission.

With regards to the third bullet in the report, which addresses the presentation of a few key indicators or performance measures, it is recommended that this be implemented in the following fiscal year. During this fiscal year, it should be communicated to the departments as part of the Finance Committee's budget guidelines, that they identify key indicators or performance measures as they are developing their FY13 budgets. The recommendation would be that the reporting on these indicators or performance measures be implemented for some of the larger departments in FY 14.

***Finding 2***

***The proposed revenue budget should provide more subcategories for enhanced understanding and monitoring and additional historical information***

Per discussion with Finance Director the additional subcategories can be easily identified and will be reported on as part of the upcoming budgetary process.

**Finding 3a**

***Record the Revenue Budget on General Ledger at Inception of Fiscal Year and Record the Revised Revenues at Tax Recapitulation***

The ORC noted that revenue amounts are estimated and are not voted at Town Meeting. However, the Finance Director will put the assumed FY 12 revenue amounts used as a basis for developing the Town Meeting budget into MUNIS this year and then provide adjustment in MUNIS after the Tax Recapitulation Sheet has been submitted. This will be done at one reporting level down from where it is currently being presented to the Town. The interim changes will be maintained off line and when revenues are finalized, there will be a journal entry to update MUNIS. Accompanying that journal entry will be the support to explain the changes in each category presented.

**Finding 3b**

***Provide Quarterly Revenue Reports to Finance Committee, Town Administrator and Community***

The ORC believes that this recommendation is appropriate. We believe that for each quarter there should be a high level report that shows prior year numbers, budgeted amount and amounts received year to date. The expectation would be that there would be bullet point explanations of significant variances to accompany this summary.

**Finding 3c**

***Provide Quarterly Appropriation/Expenditure Reports***

The ORC believes that there should be a high level summary of budget to actual provided to the Board of Selectmen, the Finance Committee and to the Department Heads/Committees. This summary should provide an explanation of significant adjustments from budget to actual. We believe this reporting should occur in Q2, Q3 and Q4. Given the nature of activity of Q1, it is not believed that this information will be relevant and therefore, it is not recommended that reporting occur in this quarter.

**Finding 4**

***Capital Project Budgets are not recorded by Categories on General Ledger and Activity is not report to Finance Committee***

Per discussion with the Finance Director most capital projects are recorded on a detail basis. However, this comment specifically refers to the high school building. At this point in time, getting the break out of the high school spend to input into the general ledger is too difficult. However, it is noted the expenditure information is reported at a detail level to the High School Building Committee. The ORC recommends that, going forward, a policy should be developed regarding the detail to be recorded in the general ledger for building projects with some consideration given to the application of a materiality threshold. This policy should be developed collaboratively between the Facilities and the Finance Departments.

The ORC recommends that the Finance Committee consider receiving regular reporting on Capital Expenditures which would include the original appropriation amount, life to date spend and year to date spend.

**Finding 5**

***Need other Non-General Fund Town Funds Reporting***

The ORC believes this recommendation is appropriate. However, it was noted that there is no easy way to get Non-General Fund information. Therefore, the ORC believes that Non-General Fund Reporting should be implemented at least semi-annually beginning this fiscal year. We then recommend that this reporting be evaluated for its significance to the Finance Committee. At that point in time consideration should be given to having the same analysis performed for Q3.

**Finding 6**

***Consider Comprehensive Year End Budgetary Basis Reporting to Finance Committee and Town***

We recommend that the Town, Finance Committee and new auditors engage in a discussion specifically on the benefits of getting this type of reporting and appropriateness of receiving this going forward.

**Finding 7**

***Consider a Comprehensive Annual Financial Report (CAFR) as a future goal***

We recommend that the Town, Finance Committee and new auditors engage in a discussion specifically on the benefits of getting this type of reporting and appropriateness of receiving this going forward.



## 2011 FINCOM MEETING SCHEDULE (draft)

Monday August 22	Review outstanding projects: CIP, ORC reporting, etc.
Monday Sept 12	Initial Budget Projections Including reports on revenue detail Broad discussion of guidelines
Monday Sept 19	Meet with BoA for overlay review Discuss budget projections/guidelines Determine operating/capital budget submission requirements
Monday, Sept 26	Ideas for State of the Town Vote new CIP form, submissions Discuss budget projections/guidelines
Monday, October 3	Discuss/vote Budget Guidelines Prepare for State of the Town mtg Discuss content of Dec presentation
<i>October</i>	<i>Liaison meetings</i>
October 13 or 20	State of the Town
<i>October 28</i>	<i>Capital budgets due to Finance</i>
Monday Nov 14	Capital Distributed Review Draft Tax Recap Prepare for Dec presentation
Monday, Nov 21 or 28	Initial review of capital submissions Prepare for Dec presentation
<i>November 23</i>	<i>Operating budgets due</i>
Monday, December 5	Presentation on _____ Budget Information Mtg. Distribute budget meeting schedule
Monday Dec 12	Operating Budgets Distributed Joint meeting w/BOS - Audit review (placeholder)
Monday, January 3	Budget: capital Budget deliberations - operating and capital

Monday, January 9	Budget: capital Budget deliberations - operating and capital
Tuesday, January 17	Budget: town dept operating budgets Budget deliberations - operating and capital
Monday, January 23	Budget: school dept operating budget Budget deliberations - operating and capital ATM Warrant article hearing
Monday, January 30	Budget deliberations - operating and capital Develop presentation of draft budget
Monday, February 6	Presentation of draft budget Vote FY13 budget Vote DE request letter (if necessary)
Monday, February 13	Present DE request to BoS (if necessary)
<i>Wednesday, February 15</i>	<i>Deadline for submission of petitioners comments on ATM articles</i>
<i>Thursday, March 1</i>	<i>Deadline for ATM comments</i>