

Westborough Advisory Finance Committee
Minutes of Meeting No. 24, FY2010
April 8, 2010

Approved
April 26, 2010

Members Present: Jo Lown, Chair, F. Robert Brown, Bill Linnane, Brigitte Casemyr, Judy Lucas (7:10 p.m.), Ian Johnson, John E. Arnold, Michael Meachen, Kevin Cronin. Absent: None.

At 7:00 p.m. Ms. Lown called the meeting to order in the Selectmen's Meeting Room.

Call to Order/Open Forum

There were no requests to address the committee.

FY2011 Budget & Financial Update

Jim Malloy, Town Manager, and Leah Talbot, Town Accountant, appeared before the Committee to present their budget and financial update for FY2011. The insurance budget number has gone down substantially. Maryanne Bilodeau does not have a firm budget number, but she is assuming this number will go down. We are in the open enrollment period at present, which concludes on April 15th. The biggest potential savings for the town would be from employees moving from Harvard Pilgrim to Fallon Select or one of the Fallon plans. They accounted for employees who had already migrated to Fallon Select; they then took the remaining Harvard Pilgrim enrollees and put them in the most expensive Blue Choice plan, in order to make the figure as conservative as possible. The original FY11 Health Insurance line item was \$9,000,353. With the design plan change that number goes to \$7,000,983, a reduction of about \$1.35 million. Changing the plan year to July 1 accounts for about \$400,000 of this.

Other major budgetary changes include Motor Vehicle Excise Tax, which is continuing to go down and probably will go down another \$262,000; Ambulance revenues, which are down by about \$115,000; Investment Income is also down, by about \$30,000; and Hotel/Motel Tax Revenues, which are up by about \$278,000. There are only 2 months of the higher rate in the numbers to date, so the impact of going from 4% to 6% is not yet apparent. Nevertheless, at the current rate it's down to \$277,000, so there is a substantial reduction overall. Our local receipts are down by about \$536,000. State aid may go up by about \$268,000, for a net loss of around \$268,000. Combining that with the health insurance savings, and Assabet, which is another \$90,000, puts us at about \$1.2 million under Proposition 2 ½ considering the 1.8% budget cut.

Mr. Malloy recommended that, where appropriate, the town go with a level-funded budget, not the 1.8% cut budget. This would be across the board, with here and there the rare exception. The warrant articles numbers are not included yet, but the majority of the warrant is either free cash or retained earnings. Mr. Malloy will provide the Committee with a breakdown for each financial article of whether he recommends "raise and appropriate," "free cash," or "transfer." He noted that the Municipal Reform Bill under consideration by the state legislature would remove the overlay account from the calculation of property taxes, and set it aside as an amount that assessors are authorized to raise every year. This money is currently within our 2 ½ limit but is not available to spend on operations. The bill would give a bit more flexibility at the local level.

As far as new growth, CSX will be putting \$18 million into their property in town, and BJ's will be moving into the National Grid building and doing some renovating there which may increase the value of the property. The Permit line item in Local Receipts is a good indicator here: where building permits increase, new growth usually follows. There will be nothing definite concerning State Receipts until Town Meeting. The House leadership is promising that the cut in local aid won't be more than 4%, so Mr. Malloy is comfortable using the 5% number.

Town Accountant Budget. Ms. Talbot's budget is basically level funded; the 1.8% cut requested came out of her salary. She only has \$545 in expenses, and her budget was cut by \$2,500. Her assistant is hourly—if her hours were cut, Ms. Talbot would still have to work the hours to get the work done and do the same amount of work, only for less money.

The Committee asked Mr. Malloy to write something up about the impact each warrant article would have on the residents of Westborough. Mr. Malloy noted that the health insurance changes were enough to close the budget gap for this fiscal year. However, even with the insurance savings, the town is still looking at a deficit in the out years. Other means of closing the gap are being explored: central purchasing, meals tax, consolidating services, etc. The concern with consolidating services is removing town employees who are near retirement. The Cullen School of Management at UMass is going to do a demographic study, looking at the possibility of phasing in regionalization gradually over a number of years, and what the benefits to the town would be. Another study is being done looking into consolidating the services between the school and the town. Mr. Malloy noted that he is in effect using \$1 million in free cash to plug the hole in his budget proposal, and that the operating budget is still \$750,000 in the red.

Mr. Malloy explained that most of the general reserve fund transfer requests the Committee has been seeing are based on unanticipated expenditures and are within normal limits. Ms. Talbot noted the different approach to funding for emergency or unforeseen a few years ago, and what it is now. Departments are purposely not budgeting for contingencies. The Committee agreed that as emergencies arise there are means to deal with them, without building contingencies into the budget.

Ms. Casemyr expressed concern that the town is drawing down its free cash to pay for articles, and felt it was an argument in favor of keeping the 1.8% budget cut, in anticipation of the needs of FY12. Mr. Malloy, however, felt that the cut was too drastic, and resulted in undesirable cuts in services. He added that he is hopeful the economy is recovering, and that it will be enough to remain extremely conservative for the next few years and keep the budget as tight as possible. The Committee pointed out that a number of maintenance issues have been deferred which will require funds in the future. Mr. Malloy responded that in case of major maintenance issues, the town has other mechanisms which would serve, such as calling a special town meeting or using reserve funds. Calling a special town meeting costs \$4-5,000.

The \$1 million in free cash is to cover the budget; any funds required for articles would be additional free cash. The Police Superior Officers union contract is settled. The Police Patrol Officers contract is settled or close to it, and costs for FY11 are minimal. The Clerical and DPW contracts are still in negotiations. The timing on the interdepartmental transfer requests is May-June up to July 15th.

Town Manager's Budget. Mr. Malloy presented the Town Manager's Budget to the Committee. There is no planned increase in wages. The 1.8% budget cut was accomplished by cutting his performance bonus (\$5,000). On the expense side, travel is going up; funds were added for him to attend the Massachusetts Municipal Association and International City Managers' Association conferences; Moving Expenses is coming out. Otherwise his budget is level-funded.

ATM Proposed Warrant Articles

Jim Malloy, Town Manager, presented the proposed warrant articles to the committee.

Article 4. Prior Years Bills. There are 3 bills, two of which are for Veolea. The first bill is out of the selectmen's account, for the lunch during which he and two selectmen negotiated his contract. The other two bills relate to Veolea: CPI and electrical consumption, two issues on the Water side; and additional lab tests from last year which were in excess of what the contract called for, amounting to \$15,095.

Article 5. Facilities Study. The Municipal Building Committee has been meeting for some time to deal with the Fire Station issue. Changes in the economy have led to concern over the impact to the taxpayers of a \$35 million project. As a space needs analysis had already been done, they began looking for other alternatives. Some options included leaving the Fire Station where it is but renovating it, or building a new stand-alone Fire Station, ranging in cost from \$10-12 million—a lot less than \$30 million. The Municipal Building Committee realized there were other, more cost-effective alternatives which should be explored. For instance, there are empty spaces in the Town Hall and the Forbes Municipal Building which are either not used or not used efficiently. There is a need to look at the Fire Station, the Forbes Municipal Building, and the Town Hall and discover the best solution for all the town's facility needs using more of the space we already have. The Committee may want to meet with the Municipal Building Committee to discuss this. The Committee welcomed moving in this direction.

Article 9. Regularly Recurring Articles/Article 9-D. Reserve Funds – already discussed.

Article 15. Consolidation of Administration Study. The Personnel Board feels that a town with 500 employees should have an HR department. The School Department has no HR function. This study would help us to find savings by creating a single facilities management department, savings which could be used to improve the town's human resources function without increasing our costs. The Massachusetts Association of School Business Officials would do the study. Mr. Malloy assured the Committee this wouldn't be a biased study, even though educators would be conducting it—it is in his budget, not the School's, and he will be closely involved.

Article 19. Local Option Meals Tax. This came up at the Fall Town Meeting, when the Selectmen were concerned that Westborough would be first town in the neighborhood to adopt a meals tax. Since then, 73 communities have adopted this tax, among them Shrewsbury, Worcester, Auburn, Framingham, and Natick, which would be competing for our business. Mr. Malloy explained that what many communities who have adopted the meals tax are actually receiving is higher than the state's estimate. He added that given limited tools in this state to increase revenue, the town is trying to use what's available (since we can't raise the sales tax).

Article 18/19. Dispose of Property & Rezoning – Nathan Fisher House. The act passed by the state to allow us to sell this property was subject to the Massachusetts Historical Commission's voting to release the deed restriction. The Commission voted 15-1 not to release it, feeling that the town had not done enough to find a buyer willing to renovate the property under existing deed restrictions. The act requires the town to split the proceeds 50/50 with the state. The property will now go out for bid, and the final price will need the approval of the Board of Selectmen. The Committee agreed that the sale of the property might not make much money, but will at least get rid of the liability.

Article 27. Delete & Add Article 13 – Personnel Bylaw. Mr. Malloy explained that the personnel bylaws were set up before we had unions and there was a need to make significant changes. He met with the Personnel Board and formulated a proposal based on what they felt their responsibilities should be. This article removes the existing structure of the old personnel bylaws, which in turn requires that a new set of personnel policies be drawn up to replace them. This new document, the Personnel Policy and Employee Handbook, incorporates the policies as outlined in the current bylaws and additional policies that have been adopted by the town and the Board of Selectmen over the years, as well as various federal and state laws. These are not new policies, rather a consolidation of existing policies, in order to have one employee handbook instead of multiple forms. One change coming out of this is that the Personnel Board will be appointed by the Town Manager rather than the Board of Selectmen. Mr. Malloy assured that Committee that there was no conflict of interest here, as he is under a separate contract.

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Mr. Harrington, Town Moderator, added that this change was long overdue, as the current bylaws are from the 1950-60s, many of which are no longer applicable, leading to many conflicts. He also pointed out that nothing changes until the Attorney General approves it. The Committee will hear Maryanne Bilodeau's perspective on this on April 15th. The Committee noted that the language in section 2 needed to be clarified in such a way that there could not be a worst case. It cautioned that there may be changes in this new handbook which could have unintended results.

Article 30. Adopt G.L. c. 40 § 22F – Setting fees. This statute gives elected boards (Planning Board, School Committee, Library Board, Town Clerk) the authority to set fees, and ensures that the fees we've already established are not challenged in the future. Elected officials set their own fees; all others go through the Board of Selectmen.

Article 29. Adopt G.L. c. 59 § 59A – Environmental cleanup tax abatement. This statute gives the town the ability to negotiate a tax benefit for an innocent party buying contaminated land. The state's Smart Growth Laws provide incentives for someone to buy a contaminated site and clean it up. The DEP website lists all the contaminated sites in our community. The two parcels on Oak St. and Rt. 9 (part of the old Lyman School properties) are properties which would benefit from this initiative.

Article 30. Contaminated Redevelopment Incentive Bylaw – New Article 45. In order to adopt the statute in Article 29, the town must adopt a bylaw which says "the Town Manager shall negotiate, the Selectmen shall approve, any of these tax incentive deals." This article establishes that bylaw. Mr. Malloy noted that last week Westborough was approved as an Economic Target Area (ETA), which opens the door to \$2 million in grant funds available to buyers of contaminated property. He explained that it is simple to track who is an innocent buyer, as the DEP keeps track of who was initially responsible for contaminating these properties. This is good for the town—the property becomes an asset to us.

Other

Mr. Malloy noted that there was no need to have personnel articles 6 and 7 on the warrant, as nothing is being changed. He will add summaries on other articles where needed. The warrant will be closed when the Selectmen meet next Tuesday night and a copy will be available to the Committee. The Committee explained to Mr. Malloy that the Sewer articles should precede the Water articles, as they are companion articles—if the sewer articles aren't voted in, the DPW won't do the water either. The Committee discussed whether the size of the fleet would be increasing—Mr. Malloy will check on this.

Mr. Malloy handed over two reserve fund transfer requests to the Committee. The first was for DPW excess overtime due to the recent rainstorms—other than overtime our town didn't suffer any major losses during this storm, especially compared with other towns. The other request is for funds to cover sick leave buybacks stemming from two unanticipated retirements at the Library. This comes out of the Selectmen/Town Managers account.

The Committee expressed appreciation for the Town Manager's outstanding performance.

Approval of Minutes – Meeting No. 20, March 25, 2010

Ms. Casemyr requested some amendments to the minutes of Meeting No. 20, March 25, 2010. Mr. Johnson moved to approve the minutes as amended. The vote to approve the minutes was 7 in favor, 2 abstaining (Linnane and Arnold), with 9 being present.

Liaison Updates/Committee & Chair Reports

Mr. Meachen emailed the Planning Board; the Board voted unanimously to support all Planning Board articles.

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Mr. Arnold met with the Government Study II Committee; they will present their report on April 15th.

Mr. Johnson will forward the updated fuel usage for all departments via email.

Ms. Lown hopes to begin discussion on Monday, April 12th, and begin voting on April 15th.

Reserve Fund Transfer Requests

Mr. Johnson moved to transfer from the Advisory Finance Committee Reserve Fund the amount of \$8,243.46 to the DPW Overtime Highway Account No. 14202 5105I. The vote to approve the reserve fund transfer request was unanimous, 9 in favor, with 9 being present.

Mr. Johnson moved to transfer from the Advisory Finance Committee Reserve Fund the amount of \$5,048.99 to the Selectmen/Town Manager's Sick Leave Buyback Account No. 11223 5235A. The vote to approve the reserve fund transfer request was unanimous, 9 in favor, with 9 being present.

Comments & Concerns of Committee Members.

Ms. Lucas stepped in for Ms. Lown. Ms. Lucas told the Committee that the School Department still doesn't have their numbers, but are doing an outstanding job of keeping within the guidelines. Ms. Casemyr added that Grade 5 at Mill Pond has increased in size, but the school will try to absorb this increase with their current staff. She noted that the increase in the school budget is to compensate for the absence of grants from the state, which in the past were used to cover gaps in the budget. The School Committee wants to make it clear that they're holding the line on the budget.

The Committee expressed concern about the potential abduction attempt on Adams St. Mr. Cronin advised kids to take pictures of suspicious characters with their cell phones.

Mr. Arnold may not be at the April 26th meeting.

Ms. Lown reminded the Committee that the end of April is the Report & Recommendations deadline. She urged the Committee to use the break to draft their comments. On May 3th and 6th the Committee will review the booklet, make changes, and do final voting. The booklet goes to the printer May 7th.

Adjournment

Ms. Lucas moved to adjourn the meeting at 9:37 p.m.