



Natick Finance Committee

Pursuant to Chapter 40, Section 3 of the Town of Natick By-Laws, I attest that the attached copy is the approved copy of the minutes for the following meeting:

Town of Natick Finance Committee
Meeting Date: February 25, 2014

The minutes were approved through the following action:

Motion:	Approval as amended
Made by:	Mr. Pierce
Seconded by:	Mr. Evans
Vote:	11-0-0
Date:	March 11, 2014

Respectfully submitted,

James Everett
Secretary
Natick Finance Committee

NATICK FINANCE COMMITTEE MEETING MINUTES

February 25, 2014

**Natick Town Hall
School Committee Meeting Room, Third Floor**

This meeting has been properly posted as required by law.

MEMBERS PRESENT:

Jonathan Freedman, Chairman	James Everett, Clerk
Jimmy Brown	Michael Ferrari
John Ciccariello	Patrick Hayes
Cathleen Collins	Jerry Pierce
Catherine Coughlin	Christopher Resmini
Bruce Evans, Vice Chairman	Edward Shooshanian

MEMBERS ABSENT:

Karen Adelman Foster
Mari Barrera
Mark Kelleher

ATTACHMENTS:

- A. Agenda for Tuesday, February 25, 2014 meeting
- B. Natick Finance Committee updated public meeting schedule
- C. Comptroller's report: FY14 revenue; general fund budget v. expense; Sassamon Trace Golf Course revenue and expense; and water/sewer enterprise fund revenue and expense.
- D. Revised Contributory Retirement Budget including: memorandum from PERAC dated 1/6/2014; Natick Retirement Board FY15 projected appropriations; supporting document Exhibit G from Segal Consulting; letter from Attorney for the Natick Retirement Board Michael Sacco, Esq.; and Contributory Retirement Department's Appropriation Summary and Budget Overview.
- E. Revised FY15 Employee Fringe Benefits & Insurance Budget: Employee health benefits summary; Rate Saver HMO summary; Retiree health care summary; Unemployment estimates; Medicare and LIUNA summary; and Merit performance set-aside.
- F. Replacement Budget Book pages III.15-III.28: Morse Institute Library Department, *Revised February 10, 2014*
- G. Replacement Budget Book pages VII.15-VII.42: Finance Department, *Revised February 25, 2014*

Meeting was called to order by Mr. Freedman at 7:04 p.m.

The Chairman reviewed the evening's agenda and the materials included in the handouts and introduced Tuesday evening recording secretary Lisa Kane Smith and confirmed that Joyce will continue on Thursday evening meetings.

PUBLIC CONCERNS/COMMENTS:

Natick Forever Annual Candidate Night

Mr. Jimmy Brown reported that Natick Forever will be having its 6th annual candidate night on Wednesday, March 5, 2014 at from 6:00 p.m. to 7:00 p.m. at the Natick Library. The Board of Health candidate debate between Mr. Ian Wong and Mr. Robert Canning will take place from 7:15 p.m. to 8:30 p.m. Board of Selectman Candidate forum including incumbent Mr. Nicholas Lombardi and past selectman Mr. John Connolly.

The School Committee Candidate debate will take place on Wednesday, March 12, 2014 at 7:00 p.m. in the school committee room at Natick Town Hall.

Summary of Tour of Natick Schools

Mr. James Everett summarized his recent tour of the Natick school facilities with Paul Comerford, Director of Facility Management. They visited Lilja, Memorial, Brown, and Johnson elementary schools and the old Elliot school being leased. They did not visit Kennedy Middle School.

Progress is being made to cosmetically rejuvenate the schools by replacing tiles and doing anything they can to make the environment comfortable for the children and staff. Security has been updated. Every school has a “buzz in” security system and at the Elliot School visitors must sign in at the administration building.

Buildings appear to be in good shape: Johnson has half of its new windows installed; new boilers are in and a new roof is planned. Mr. Comerford thinks these improvements will prolong the school’s life for 10 or 15 years.

Memorial Elementary appears to be quite solid and may be a good candidate to rehab rather than build new in the future.

The work-order system that is up and running is working well with sixty to seventy percent of work orders being made through the system. Good reports should be available from the data collected.

Review of Financial Planning Committee Meeting of February 20, 2014

Mr. Evans reviewed the revised estimate of General Fund revenue and expenses discussed at the February 20th meeting. On the expense side Keefe Tech budget was level funded from 2014, aware of better State aid estimates but House Ways and Means Committee needs to further define their state aid budget. They have not yet calculated the split between general government and schools regarding any increase.

The Board of Selectman decided to fund the Keefe Tech roof project out of free cash because the cost was small enough to be absorbed without acquiring debt. West Suburban Health Group has finalized its rates –on average they are close to our estimate of 10 percent.

The Board reviewed a deficit reduction strategy for the Natick Public School budget. There is a sub-committee working on the deficit issue. \$300,000 from the high school building fund will be used to purchase lap tops for all students for the Fall of 2014. This is different than the capital article on the Town Warrant for \$400,000 to fund lap tops for the eighth grade staff.

It is estimated that homeless transportation will cost the school \$230,000 next year. This amount is in their budget; although the State has set aside reimbursement for this cost it is retroactive. The minutes will be circulated once they are available.

Any further questions on this item should be mailed to Mr. Freedman who will investigate and respond.

School Committee Meeting Minutes

Ms. Coughlin: Can we get the one-page summary that I saw at the school-committee meeting last night?

Mr. Freedman requested and Mr. Towne confirmed that he would provide an electronic copy of this summary to the board.

MEETING MINUTES:

Mr. Freedman turned the floor over to Mr. Everett to chair discussion of Meeting Minutes

Mr. Everett referred the members to draft Minutes from January 16, 2014. He advised that everyone but Ms. Collins and Mr. Ferrari were eligible to vote these minutes and asked if there were any corrections or additions. There were none.

A motion was made to approve the Minutes of the January 16, 2014 meeting of the Finance Committee.

Moved/Motioned by:	Mr. Pierce
Seconded by:	Mr. Evans
Motions or Debates:	None
Vote	10-0-0 (unanimous)

Mr. Everett referred the members to draft Minutes from February 4, 2014. He advised that everyone but Mr. Ferrari were eligible to vote these minutes and asked if there were any corrections or additions. There were none.

A motion was made to approve the Minutes of the February 4, 2014 meeting of the Finance Committee.

Moved/Motioned by:	Mr. Pierce
Seconded by:	Mr. Resmini
Motions or Debates:	None
Vote	11-0-0 (unanimous)

Mr. Everett referred the members to draft Minutes from February 11, 2014. He advised that everyone but Mr. Shooshanian were eligible to vote these minutes and asked if there were any corrections or additions. There were none.

A motion was made to approve the Minutes of the February 11, 2014 meeting of the Finance Committee.

Moved/Motioned by:	Mr. Pierce
Seconded by:	Mr. Resmini
Motions or Debates:	None
Vote	11-0-0 (unanimous)

NEW BUSINESS:

Controller’s Quarterly Report

Activity through 12/31/2013

Mr. Freedman welcomed Ms. Virginia Cahill, Town Comptroller, to the podium to present the Controller’s Quarterly Report.

- Local receipts for the first two quarters are closing out at 43.86% of target. Receipts are below the 50% mark because the largest item of the local receipt budget is motor vehicle excise and the first commitment of excise bills are not issued until the third quarter of the fiscal year. Special assessments

are betterments that are added to the 3rd and 4th quarter tax bills. The revenue for both these items will be coming in the second half of the fiscal year.

- Penalties and interest are under the 50% mark at 41.62%, however, this is up from 18.2% at the same time last year. The reason for this is that the Treasurer/Collector's office has been more aggressive collection action starting the second and third quarter of this fiscal year in order to raise that percentage. Other department revenue is slightly off the mark at 44.83% and included in here is Municipal Lien Certificate revenue which has dropped a great deal because there are less requests for refinancing.
- Overall, Ms. Cahill believes receipts will come up to target during the fiscal year.

Because of a concern that revenues this year may not meet last year's total, Mr. Ciccariello requested a take home of the same report from last year to see trends from year to year. Ms. Cahill will submit to Mr. Freedman.

- Building and building operations permits are the higher-cost permits in the Licenses and Permits section of this report.
- State aid is at 49.68% which was expected. Water and Sewer Enterprise Revenue and Sassamon Trace Revenue are booked at 50% through the end of December.
- Other Available Funds: the \$1,016,688 is items that were voted at town meeting to be transferred into the General Fund to help support the General Fund expenditures. They are booked at 100% as soon as Town Meeting is certified. They would include items such as transfers from capital stabilization, bond premium reserves, parking meter receipts and school building assistance.
- Personal Property Real Estate Tax (excluded and non-excluded): the average collection rate closed at the end of December at 49.83% so collection there is good. Overall General Fund Revenues are at 49.08% and I see no reason why we will not meet or exceed our revenue budget for Fiscal 2014.
- General Fund Expenditures: Overall the town is running at 48.03% of target. This is not unusual and mostly due to timing issues i.e., some contracts need to be paid at the beginning of the fiscal year, etc. Also, some items that are voted at Town Meeting need to be booked at 100% when Town Meeting is Certified and slated for transfer to support other funds. Overall the General Fund looks good and no problems are expected for this fiscal year.
- Ms. Cahill clarified that the encumbrances with respect to lines 300 through 390 (school budget line items) are encumbrances for this year that, if not liquidated, will carry over into next year.
- Water and Sewer is ahead of target because some large projects have been completed early and the fees for those are reflected in this revenue number. Other departmental revenue appears low but the revenue for that utilities and betterments is added to the last two quarter tax bills. The collections for those will come in the last half of the fiscal year. Retained earnings and infiltration and inflow are voted at Town Meeting and must be booked at 100%. On the expenditure side the budget is running at 45.5% which is well under the 50% target and is being well managed.
- Sassamon Trace Golf Course: Key item here is golf course fees which are running ahead of target and the General Fund and Retained Earnings are booked at 100% at the Certification of Town Meeting. On the expenditure side the budget is running at 46.4% at the half year mark so this budget is being well managed.
- Mr. Everett questioned the difference between revenue at \$886,580 and expenditures at \$839,434 and questioned why they were out of balance. Ms. Cahill explained that encumbrances were carried forward under the transfer/adjustment column from the prior fiscal year. They must be paid out of the next fiscal year but the monies to pay them reside in the past fiscal year. This is an accounting

reporting mechanism that does not allow monies owed for items ordered in the prior year but not delivered and paid for until the next year from falling into retained earnings while also keeping funds in their proper fiscal years.

Mr. Ciccariello would like to see a trend analysis of the revenue over the year for the Sassamon Trace budget.

Finance Committee Updated Schedule

Mr. Freedman reviewed the Updated Finance Committee Meeting Schedule that covers the remaining budget items and the bulk of the town meeting warrant that needs attention. The schedule has been rearranged so that like items are scheduled to be heard on the same night while the final budget articles to as late as possible in order to make efficient use of the Board's meeting time. Target is to have the final meeting on March 20, 2014.

Mr. Ciccariello mentioned that the Zoning By-Law Sub-Committee Meeting scheduled in the Leibowitz Room at the Library for February 26, 2014 at 7:00 p.m. so that the Sub-Committee can stay to listen to Articles 10, 11 and 12 that the Planning Board is taking up in their meeting at 7:30 p.m. The Planning Board has agreed to allow Zoning By-Law Sub-Committee to ask questions.

Mr. Freedman noted that Articles 10, 11 and 12 are all related to medical marijuana zoning.

Ms. Collins the Education Sub-Committee met last Thursday and has meetings scheduled for Monday, March 3, and Thursday, March 5, 2014 at 7:00 p.m. in the School Committee Room. She requested that the Board forward any questions they may have prior to those meetings.

Public Hearing – FY 2015 Budget:

Mr. Freedman welcomed Jeff Towne, Deputy Town Administrator/Director of Finance and Martha White, Natick Town Administrator to the podium to present the revisions to the FY2015 budget.

Mr. Towne introduced his colleagues Jean Cahill, Comptroller, Jan Dangelo, Chief Assessor and Ted Jankowski from the Treasurer/Collectors Office and summarized the revisions on *Revised – February 25, 2014, Page VII.15 and ending on Page VII.42* as follows:

- Overall, it is the same budget analyzed prior to this meeting excepting one longevity payment, left off the original budget in the amount of \$750, has been added and affects the bottom line by that amount. Other corrections were perfunctory and did not affect the bottom line.
- FY 15 is almost identical to FY 14 excepting one PIR for an additional staff member in the Collector's Office. Also there are pay increases for COLA and a decrease in tax mapping expenses. The overall net increase for the consolidated comptrollers, assessors and treasurers offices is just under \$57,000 or a 3.8 percent increase over FY 14.
- Since department resources have been reallocated there are two deputy town administrators: one for operations and one finance director (Towne). This change plus the addition of Ms. Cahill as a full-time employee will hopefully divide all the responsibilities more equitably and improve productivity.
- This department accounts for all financial transactions of the community including investments, safe-keeping of assets, reconciling accounting for over 570 individual funds and handles over \$130 million annually in financial activity, accounting for all the billing and collection for real and personal property taxes, excise taxes, ambulance fees, water/sewer billing and parking tickets. Federal and state grants are also accounted for by this department.

Financial statement audit preparation and reporting, managing all the funds and software systems, accounting for all payroll transactions, all accounts payable, tracking of capital assets,

maintaining the chart of accounts and all reporting to the department of revenue through the tax recapitulation process are all responsibilities of this department.

Further responsibilities include reconciling all the cash and receivables monthly, assessing all the properties including data collection valuation, inspections, deed research, tracking changes, exemptions, abatements, overlay tracking, tax appeals, reporting to the department of revenue on their valuations, certifying the values, executing the town-wide review, monitoring building permits and new growth while also maintaining all the data within their software programs and managing all the debt for the town.

- Goals of the department include updating and documenting policies and procedures, initiating and monitoring risk analysis studies and helping with investment management. Investment in the technology of online payment is paying off now and will pay off more in the future saving monies in mailing fees and time entering and depositing tax payments.

Controller's Budget:

- Budget has the same FTEs as FY2014 with the exception of the one new collector's office position, with a slight change in a part-time position, by decreasing one in the comptroller's department and increasing one in the assessor's department so that overall the FTEs remained the same.
- Section VII.22: Salaries Management line increased \$20,000 for Ms. Cahill's full-time position. Salaries Tech/Professional decreased \$12,472 part-time staff member and was moved to the assessor's office. Otherwise all expenditure line items were maintained at level funding from FY2014.

Member questions and discussion included the following:

- Mr. Everett questioned the length of time Ms. Cahill was in her job during 2014. She was an independent contractor through January 31, 2014. There were funds budgeted under management services, however, costs for her position came from consulting services. This line item will have to be updated to reflect this change. Mr. Ciccariello pointed out that in its current condition, this budget is underfunded for the already known expenses that will be incurred.
- Mr. Towne confirmed that in two weeks time, these line items will be revisited and discussed again but the plan is to live within the budget in 2015.
- Ms. Collins: because reconciliations of the 570 different funds managed by the department have been an audit issue for years she wants to know how the department is and will execute reconciliations now and going forward.
- Mr. Towne reported receivable reconciliations are fully reconciled through cash to the end of January 2013 and are working on cleaning up identified problems with receivables from the treasurer's books to the General Ledger. Funds with low activity do not need monthly attention whereas more active funds need more maintenance.
- Ms. Cahill reviews major funds frequently, at least quarterly. Non-major funds are reviewed quarterly. Specifically, any unusual charters or deficits are investigated to confirm why and what can be done to rectify.
- Mr. Towne explained that reconciliations and reports that are the fiscal responsibility of this department are all part of the complex work process that he and his colleagues are working to refine and streamline to get better results in all areas including this one.

- Ms. Coughlin last year the warrant article to change the charter regarding this position was voted no change. Is the person currently in this position in compliance with the charter? If it is this expense can be connected to the budget; if not there is an issue.
- Mr. Freedman suggested that this may be off-topic and should be investigated separately from this FY2015 budget meeting. Mr. Freedman and Ms. White will collaborate to investigate the process regarding getting and acting on any information resulting from this question.
- Mr. Ciccariello the indicators for salaries seem to have remained flat through the last few years on paper. Since employees have been added it seems like this may need to be revisited. He would like at some point to see that trend. Also, regarding Trusts, Mr. Ciccariello requested a take away of a specific report on balances.

Assessor's Budget:

- Mr. Towne reported the total overall assessor's increase is \$5,973 or 1.36% increase over FY2014. The increase in personnel service in this budget is comprised of the wage shift for the part-time position and cost-of-living adjustments. The \$9,000 decrease in the supplies line item is a result of tax mapping savings, an increase in education and training, communication and postage increase and some decreases in maintenance of equipment and communication and telephone.

Members' questions and discussions included the following:

- Mr. Ciccariello asked where do we stand on abatements. Ms. Dangelo responded on abatements – the collector's office will respond on tax title. Informally she confirmed that we just received 88 abatements including personal property (received 10; granted 6; totaling \$737.08), commercial, residential (granted 24; totaling \$18,259.42) and any affordable units that were purchased. Office has granted twenty-four abatements as of the date of this meeting; after the last scheduled meeting happens all abatements will be confirmed. Also, the department has settled several small appellate tax board cases for FY2013 and the total there is \$6,444.
- Mr. Freedman confirmed that abatements are funded through the overlay surplus fund and asked for a walk through of that process. Ms. Dangelo: The overlay account funds un-funded abatements and exemptions granted to seniors and disabled people. This is a revolving account and town administration will request a release of surplus (voted by the board of assessors) to the use of the general fund. Overlay accounts never go to zero because often there are pending matters for which funds are ear-marked. The department of revenue sets up balance guidelines stemming from a percentage of the town's overall tax base when the account is first established. Ms. Dangelo follows funds that are ear-marked for litigation expenses and as cases are settled the set-aside is re-evaluated resulting in a collective release of approximately \$1 million dollars in funds annually.
- Ms. White noted that beginning in FY2014, the assessors and finance director agreed to release \$500,000 this year and approximately that amount each year going forward as a consistent amount is more useful for planning purposes. And, although this money has not yet been released, the assumption that is has been is reflected in this budget.
- Ms. Dangelo reviewed the balance vs. expected liability amount for the years 2005 through 2013.
- Ms. Collins requested a summary of the balances in the over-layer accounts. Mr. Freedman will get this electronically and distribute to the committee.
- In response to Mr. Pierce's request for an overview of how abatements are decided, Ms. Dangelo related that a combination of interior and exterior inspections of the property reviewed in

combination with current property values. Page 26 compares single family tax rates in Natick and surrounding towns.

Collector's Division Budget:

- The only change in the Finance Department's Budget is an increase associated with PIR and cost-of-living adjustments. Otherwise the proposed budget is level funded. The department's goal is to significantly lower collection expenses by encouraging increased use of online payment to lower paper, envelope, postage and other expenses.
- Mr. Freedman requested a walk-through of the above-listed PIR. Mr. Towne explained that the department has had personnel changes, especially the extended absence of a key, full-time management employee, that have been detrimental to department productivity on the whole. There are not enough employees to execute the work at hand and therefore they do not have the time in their schedules to upgrade their skills to be more efficient.
- Mr. Jankowski added that because his position of Treasurer/Collector had been vacant for an extended period a deficiency in department leadership and its resulting lowered productivity and collections problems needed to be immediately addressed. This situation, exacerbated by an impending retirement in the next two years of a key department member played a large role in the decision to add this position to the department. He elaborated that there are many department functions including research that cannot be accomplished with the overloaded staff situation.
- Mr. Everett questioned the off-set on the salary operations of \$14,506. Mr. Jankowski explained monies were saved by eliminating a part-time position and extending another person to full time the net impact of which is less than just hiring on a full time person. Mr. Freedman questioned an amount of \$14,506 offset on page E17 that also appears on salaries temp operational budget line item in FY2015 column. Mr. Towne clarified the PIR has a mistake: the employee under 2176 will remain as a part-time employee – and has no relationship to the earlier-discussed position 44075 which was decreased by a portion of a part-time and increased to another employee 43742. Mr. Everett requested a follow-up on that PIR.
- Mr. Ferrari asked whether any recommendations from the state DOR influenced the staffing decisions made for this budget. Mr. Jankowski stated that the assessments and decisions were made internally although some internal audit reports suggested that reconciliations of receivables, cash, processes and procedures were being left undone due to short staffing and that in fact, the department is now only approaching the staffing level of 5 years ago. Towne added that audit results actually stem from an external audit report done by Clifton, Marson, Allen (sic) formerly Sullivan and Rogers (sic). Down the road as staffing changes, retirements come up and efficiency improves the staffing levels will be reviewed.
- Ms. Coughlin asked whether technology changes had improved productivity possibilities enough to negate the need for an extra position in this department and also questioned whether there have been any technological improvements that have been at all helpful in the last 5 years? Also Ms. Coughlin wanted justification of why the existing staff cannot be re-trained to use better technologies to improve productivity rather than adding staff that may have to be re-allocated if improvements are made?
- Mr. Jankowski replied that this department has not been able to take advantage of changes in technology occurring in the last 5 years because there was no management to implement them. Mr. Towne added that with more help to manage the back log the intention is to improve productivity with technology, however, given the condition of the department, implementing new

systems given will take time. Mr. Towne confirmed that online payment has greatly improved collections but more help is needed in this department in order to implement more technologies.

- Mr. Towne also replied that because the second in charge of the department who handles a great deal of higher level detail work is out on leave. This has burdened the next most senior employee down in the department. Ms. White reiterated that the department is in dire need of this position in order to operate effectively.
- The current timeline of work in the department was reviewed by Ms. White. The upshot of the department reply is that they are nearly a week behind in what should be daily tasks and a great deal further behind in all the work that follows daily collections which is the bulk of the department’s work. The written policies and procedures are underway but progressing slowly because of the backlog.
- Mr. Everett asked if the department will be going over the budget this year? Mr. Towne and Jankowski confirmed that on the salaries line the department will be over budget and that the department did approve and hire the person needed but with the caveat that if the budget was not approved, this position would have to be eliminated. Ms. White stated that with inadequate staff the department will not reach the accounting goals set for FY2015. The department members defended their position stating that the combination of missing staff, backlog of workload and stress on remaining workers have created an immediate need and in order to carry out the responsibilities of the department to the town they need this position.

Treasurers Division

- There is only one increase under salary/operational staff for \$955 which relates to their portion of COLA increases. Everything else is level funded in this budget.

Move that the Finance Committee recommend approval of the Finance Department Budget of \$1,554,981 of which \$1,165,181 is personnel services, \$314,800 is expenses, and \$75,000 is other charges and expenses. (*Revised February 25, 2014 Finance Department Budget Detail pages VII.15-42*)

Moved/Motioned by:	Mr. Everett
Seconded by:	Mr. Evans
Motions or Debates:	<p>Ms. Collins asked whether the numbers on page 15 in the appropriation summary include the \$14,506 or do we have to add those in at the appropriate level?</p> <p>Mr. Freedman confirmed the \$14,506 that was being debited off the PIR should be included as reflected on page 34, therefore it is included in the full Salaries Operational Staff line on page VII.34.</p> <p>Mr. Everett commented that efficiency improvements are impossible if a department is buried in a back-log of past work while new work is piling up. Without a consultant, which is unwanted at this time there is no time to add new efficiencies and processes. Staff buy-in is necessary to make lasting, valuable process improvements. On payroll we are over budget but on staffing we are undermanned. We have long-term disability happening. I would like to see efficiencies that would allow this department to take advantage of attrition of retirees to reduce the budget in the future. Hopefully this additional money spent is short</p>

	<p>term; but if it isn't it's because it's a needed expense. Mr. Everett recommends approval of the new staff and added cost to the budget.</p> <p>Mr. Evans stated that here has been a "perfect storm" with respect to staffing in this department. The short staff and increasing workload in this over-burdened department is apparent. His general assessment is that there are three things that are going to change the environment in this department: use of the cloud, impending staff retirement and increased efficiencies. Long term, over the next eighteen months, we could have a staffing level that is increasing two-thirds of an FTE this year which really isn't that much. Over time, with retirements and improved efficiencies that position may be reallocated to somewhere else where it's needed. I whole-heartedly support this budget.</p> <p>Mr. Pierce has observed that prior to the last five years, the controller's department has been in dire need and had many problems executing its function. He is impressed with the progress over the last five years and the plans to streamline, institute written policies and procedures. Also, he congratulates the staff on their kind, patient customer service practices.</p> <p>Ms. Coughlin voiced her displeasure with the decision to add more staff and does not support additional staff. She feels there should be more effort put into efficiency through technology and that the department should strive to use the current staff more efficiently before increasing the budget. She does not support the increase in this budget. Ms. Coughlin expressed that her opinion about the budget increase has no reflection upon the people working hard to run the department for whom she has great respect but she must follow her principles and not support the budget increase.</p> <p>Although Ms. Collins rarely supports a move to increase staff expenses she feels a short-term fix is appropriate for this department at this time. Given the importance of properly collecting, depositing and managing town monies this department, of all in the town, needs consideration at this time. However, she will be looking for serious improvement in the next two years that will allow the department to take advantage of impending attrition thereby allowing a decent return on investment for the department's budget.</p> <p>Mr. Brown thinks it is dangerous to argue for replacing staff in anticipation of a retirement because this position could backfire and cause imminent retirees to reconsider if their job becomes easier. Adding new, benefited staff while part-time, un-benefited staff waits for position improvement is not optimal. He supports this budget with the expectation that new leadership, that appears to be doing a very good job to date, will improve department performance which will make up for the added expense.</p> <p>Mr. Hayes appreciates his colleagues' willingness to support this budget given their valid and serious concerns. He supports the</p>
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	<p>budget and anticipates that growth in Natick will increase the tax base enough to cover this type of badly needed cost. The workload of this department is ever increasing as the town grows so the likelihood of staff increase need should be expected from time to time. He hopes that technology efficiencies cause positive changes and commends department management for making necessary hard decisions.</p> <p>Mr. Ciccariello points out that although they hired one person prior to bringing the budget to the board this should not count against them as it's been done before on a far larger scale with little repercussions from the board towards the hiring department at that time. He feels the new management has proficiently and professionally reassessed the department's needs and has rightly come up with a badly needed plan for efficiency that takes advantage of improvements that may have been considered unnecessary and expensive to prior department management. He is impressed with the audit reports that improve each year since new department management was implemented and he remembers vividly the years that the department was a complete mess that seemed unfixable at the time. He is disappointed that the Finance Committee was not called upon sooner to help this department when it was clear that two staff members were going to be out long term. After hearing the arguments tonight he feels that this staff member for this department may be more important to improve than many he has already approved for other departments. I support this budget. We need to give the new management of this department credit for improvement so far and trust that this new staff addition will allow them to continue and increase their current success.</p> <p>Mr. Freedman considers that reducing the Town's risk profile with respect to improving financial controls is a high priority. If adding this position lowers the risk profile by improving policies and procedures and adherence to best practice accounting procedures it only makes good fiscal sense to approve the budget. Also, it is reasonable to expect that the administration of this department can review this additional expense on a yearly basis and determine whether it is adding enough improvement to make a difference in the department's work product.</p>
Vote	11-1-0

Recess (10:14 P.M.)

Mr. Freedman welcomed Mr. Towne and Ms. White to begin with the Reserve Fund. (*Section IX page 9.29*)

Reserve Fund

- Massachusetts General Law 40, Section 6 allows every city and town in Massachusetts to have a reserve fund to exist within the operating budget for any extraordinary or unforeseen expenditures to the town. In Natick, this account is under the control of the Finance Committee. Disbursements are requested by the town administrator or superintendent and they can be

disbursed with the approval of the Finance Committee for use in any operating or capital budget as long as the expenditure meets the criterion set for in M.G.L. 40, section 6.

- In Natick historically from 2009 through 2013 the account has been funded at approximately \$300,000 annually (plus \$100,000 for possible high school boiler issues). We are requesting the same amount for FY 2015.

Members’ questions and discussion:

- An appropriation of \$100,000 was added in FY2008 in anticipation of potential boiler and other problems at the old high school. FY 2014 appropriation at \$300,000 reflects the lack of that need.
- This fund had been used to help veterans in the past. Communities including Natick have been running behind in their annual budgeting for veterans services and the goal for FY2015 is to get up to a least the minimum of funding for Chapter 115 cases in the past. The State refunds a portion of these monies annually after they are disbursed. This will lower but not negate the requests for veterans’ funds from the reserve fund. The fire department is expected to request \$30,000 for overtime; no capital funds requests are expected at this time; a request to supplement the legal budget by \$270,000 is expected in the near future.

Motion to reduce the amount in the reserve fund to \$250,000.

Moved/Motioned by:	Mr. Ciccariello
Seconded by:	Ms. Collins
Motions or Debates:	Mr. Ciccariello moved to reduce the budget to \$250,000 The history of the fund is to supplement capital projects, fire department overtime and veteran’s needs. The amounts requested and transferred have been reducing over the past couple of years. Besides this year’s legal fee anomaly, I feel that \$250,000 is enough to reserve on an annual basis. Capital projects are in control so unless there’s really a disaster \$250,000 should be sufficient. Ms. Collins seconded for discussion.
Vote	N/A

Move approval of a Reserve Fund budget of \$300,000.

Moved/Motioned by:	Everett
Seconded by:	Pierce
Motions or Debates:	Mr. Everett argued that in 2010/11 \$200,000 was spent and in 2009 \$330,000 was used. Situations come up, the dam, hurricane – you never know what is going to come up and \$50,000 doesn’t seem like enough to gain benefit somewhere else. Having enough to use for an emergency or serious difficulty without having to go to a special town meeting is important. The capital expenditure term is a misnomer, expenditures made have been for emergency maintenance on essential systems. These projects may have been capital if planned for on time, but as it stands they have been emergencies that required immediate action. Also, when we don’t use this fund the monies go back to free cash used the following year for capital and other things so I see no real advantage to lowering the amount funded annually. This account is a good safety net.

	Mr. Pierce feels the money may be needed for the situation that is not being discussed this evening but of which everyone is aware.
Vote	11-1-0

Employee Fringe Budget: *(Revised February 24, 2014 pages. IX.3-11)*

- Requested for the preliminary budget as advised is \$16,286,580. The only amounts that changed in this revised budget were that the rates from West Suburban Health Group have been voted. Some corrections in language and formulas were made to match the budget. Health insurance numbers will be affected by employee adds and changes so we will be back to look at corrections once the final changes have been vetted through the process.
- We have level funded worker’s compensation at \$505,000; unemployment has been reduced by \$40,000; FICA has been increasing as new employees are added, 1.45% of all wages that are added after March 1, 1986 are subject to Medicare tax – it has been increased to \$925,000; drug and alcohol testing increased by \$3,000; medical insurances increased \$886,000; decrease the public safety section 111f estimation by \$12,500; LIUNA pension benefits reserve was level funded at \$50,000; long-term disability was level-funded at \$18,000; retirement buyout program level-funded at \$165,000; merit performance raises level-funded by department across the board.
- Explanation of health insurance plans and rates per plan *(Revised February 24, 2014 Page IX-6)*. These will change in future years but hopefully at the end of 2015 we will have most if not all unions on 75/25 pay schedule. Patrol officers are at 80/20 for the life of their contract.
- Three safety nets Tiers 1 through 3; Sentinel Benefits administration fee; Reserves and new position cost as well as retiree plans including Life Insurance; Flu Shots; Occupational Health Nurse; Sentinel Benefits administration fee; Consulting Fee; Medicare Penalty and Miscellaneous total \$13, 850,380 for FY2015.

Members’ questions and discussion:

- Mr. Pierce: Has the school already endorsed 18 FTEs for the FY 2015 or is this just a projection? The school requested 22 FTEs but we are estimating the possibility of accommodating 18 FTEs. However, when the school has more information we will go back and readjust numbers based on their head count.
- Sentinel Benefits is the health care administration company that handles all claims and other details related to the various health care programs in which employees are enrolled – they are an outside contractor.
- Mr. Everett: 18 FTEs on the school side and 7 FTEs on the municipal side have been added to the budget. The committee is already aware that there’s 1 additional FTE on the municipal side and asked if this person accounted for? The current budget does not have enough information to vote at this time. Going forward is that head count will be the only change to this budget.
- Merit and performance which was voted last fall, raises actual FYI2014 appropriated amount is \$150,000 to date \$144,000 has been disbursed in three ways: the personnel board employees \$50,000 in a one-time lump sum added to base pay – this was added to base pay *per employee*. This was a union compromise with respect to the 75%/25% changes to employee portion of insurance payment. Sick leave buy-back program that was in place for non-union employees has been eliminated and replace with town-funded long-term disability.
- Merit performance set aside is \$50,000 for actual merit bonuses for going above and beyond from normal workload. Because there is only approximately \$5,000 left for merit bonuses they are asking for monies that were in the budget last year for a one-time lump sum payment elsewhere

to be used for merit performance bonus’ this fiscal year. Because of repeated questions from the board Mr. Towne will research and better explain the merit performance \$50,000 recurring amount in FY2015 budget. Ms. White will provide back-up data in support of same.

- The town is not required by law to offer the safety net tiers. This program was negotiated when the employees were moved to the rate saver health plans. The amounts are estimates put in place to ease the transition to the new expense for health care. In the next year or two the amount of those safety nets should drop a bit as people get used to the new health care expense. The reserved balance has not been reached in any year and the remainder will go back to free cash eventually. Mr. Ciccariello requested a take away of the actual numbers and collective bargaining requirements on the tier plan before the vote.
- Take away for what actually happened for changes in the various health plans and the cost differentials for last year. Ms. White will research and let the Board know what kind of data can be supplied given the nature of how the data is maintained.
- With respect to the Medicare penalty: this is a result of the town not forcing employees onto Medicare during the early years of eligibility in the past. Penalties for these employees only stop when they are no longer living.

Mr. Freedman suggests postponing vote on this budget until March 20, 2014.

Moved/Motioned by:	Collins
Seconded by:	Ciccariello
Motions or Debates:	None
Vote	12-0-0 (unanimous)

Recap of requested take aways:

- Backup for \$157,500 intent is to provide general summary of performance raises that were given in FY2014;
- Health Safety net utilization
- Health Reserve plan utilization

Property and Liability Insurance:

- Estimate a 5% increase in insurance. Overall it’s a 4.1% increase and this provides for all the insurances for the community including property and liability, motor vehicle, boiler insurance and coverage for insurance deductibles that have been level funded.
- Insurance goes out to bid annually and buildings are reassessed frequently.

Move that the Finance Committee take favorable action on the property and liability insurance in the amount of \$615,300.

Moved/Motioned by:	Mr. Ciccariello
Seconded by:	Mr. Evans
Motions or Debates:	Mr. Ciccariello: the insurance is necessary and the premiums do not seem excessive. Mr. Evans concurred.
Vote	12-0-0 (unanimous)

Natick Retirement Board:

- Letter from the law offices of Michael Sacco, Esq., attorney for the Natick Retirement Board read aloud for the record by Mr. Freedman in response to his invitation to the Natick Retirement Board to present their budget at this meeting of the Financial Board. Letter is dated February 3, 2014 and translated to Mr. Freedman electronically at his email address used for Finance Committee business.

Re: Natick Retirement Board -- Attendance at Finance Committee Meeting

Dear Mr. Freedman:

My client, the Natick Retirement Board (“Board”), has asked me to contact you regarding your invitation to attend the February 25, 2014 Finance Committee meeting and inform you that at its meeting on January 30, 2014 the Board unanimously voted to respectfully decline the invitation. Accordingly, no one from the Board will be attending the February 25, 2014 meeting.

The reason the Board voted not to attend the February 25, 2014 Finance Committee meeting is twofold. First, as you will recall from the Board’s representatives appearance at Finance Committee meeting in September, 2013, the question of whether the board had the authority to submit a warrant article was challenged, and in town counsel’s opinion, since the board was not a department of the town of Natick it lacked the authority to do so. Following that opinion to the logical conclusion, since the board is a separate and distinct entity from the Town of Natick, there simply is no need to appear before the Finance committee. Similarly, with respect to the Board’s budget, it is well settled that the municipalities must annually appropriate the amounts determined by the Public Employee Retirement Administration Commission (“PERAC”) with respect to the pension liability and the administrative expenses of the Natick Retirement System (“System”), there appears to be little to discuss.

Should you have any questions or concerns, do not hesitate to contact me directly.

Very truly yours,

Michael Sacco

cc: Natick Retirement Board (via electronic mail only)

- The administration has agreed to provide factual information which should answer any questions the board may have tonight. The administration is not responsible for this budget and any frustrations or other feelings we hold regarding this budget regarding the Natick Retirement Board’s participation tonight is not to be directed at the administration. They are sitting at that table as a favor to this committee and thank you for that. Later on, should there be a motion of any kind we will have the opportunity to enter into debate and that will be the time for us to express our opinions.

Committee returned to the FY2015 Budget - Budget Book page IX.15

Mr. Freedman invited Mr. Towne to walk the committee through the Contributory Retirement budget.

- This expenditure is what is necessary for the Town of Natick to pay to the Retirement Board to fund a portion of the town’s unfunded liability associated with the amounts that are drawn when people retire. Employees are eligible for a contributory benefit plan which is based upon a formula derived from years of service in Massachusetts (including any years they served in another municipality) and age at retirement.
- Valuations in the table handout are based on assumptions and wages as of January 1, 2013. Every two years an actuarial summary is done and is sufficient for audit purposes. Employees contribute based upon their gross pay, a percentage on their entire pay and then a further percentage on their compensation above a certain threshold (if applicable). Different areas of

employees of the town are in different groups and pay different percentages. The town also contributes their portion under the schedule of funding. The law requires that everyone on the plan has to be fully funded by 2040. The Town of Natick has a schedule that goes achieves that by 2030. The maximum annual amount by law that the appropriation can increase is 8 percent. At this time in Natick the schedule is to raise 8 percent in 2016, 2017, 2018 and 2019 and then in 2020 it may drop down to 2.54% if the numbers stay consistent between now and then. And then it would be around 4% from 2020 to 2030. What this schedule is doing is making up for the losses that most people experienced during the stock market crash in the Fall of 2008. That is why most of these contributions over the next 5-year period are at the maximum.

- The letter from PERAC dated January 6, 2014 with the required FY2015 appropriation of \$7,453,409 that represents the amount that is necessary to fund the housing authority because they're part of Natick's retirement system but the housing authority pays their employers share out of their budget. And our public safety employees, water and sewer enterprise, Sassamon Trace Enterprise Fund and all others which are in Group One. That 7.4 million is broken down in the PERAC letter by department and our portion of the general fund adds up to \$7,079,771 or just under an 8% increase from the 2014 appropriation.
- Section IX-page15 contains a complicated calculation with changes in assumptions, changes in how we allocate for losses and how we record the unrecognized losses in the fund but in January, 2011 we are 64% funded and in January 1, 2013 we're 60% funded. But even with that being true, if we contribute the amount that PERAC says we should each year based on the assumptions that are in this report we will still be funded 100% by 2030. We must keep in mind that a part of these assumptions a stated investment estimation of 8% gain each year.
- Upshot is the town is 61.1% funded and will be funded by 2030 (however the schedule can go out as far as 2040 if the Retirement Board chooses to change) is we stick to the plan and that will cost \$7,079,771 in the general fund and Sassamon Trace and water and sewer have a portion of that cost.
- There are 1,056 participants in the retirement system as of 2013 made up of 591 active 90 inactive, meaning they haven't retired but they're no longer employed in the town of Natick, and 375 retired participants or their beneficiaries.
- We send the money to the Natick Retirement Board, the Board then sends the money to their investment managers to fund our portion of this which is administered by PERAC which is the overseer of all pension funds in the Commonwealth of Massachusetts. The Natick Retirement Board is the Trustee of the account.
- The figures formulated and dictated to the town are formulated by PERAC using a complex formula (as stated above) the accuracy assessment is done by actuaries (Segal) hired by the Natick Retirement Board. They have professional requirements as actuaries and the review is done by them and reported to PERAC. The assumptions used in the formula are provided by the Natick Retirement Board – assumptions include data provided by financial departments within the town. The town really has no choice but to take these figures at face value as the system of valuation is an accepted practice in the Commonwealth of Massachusetts and failing to fund this program causes unfunded liability to sky rocket and the problems to compound.
- Also, the Retirement Board is routinely audited by PERAC and audits have been good reports. The Retirement Board is comprised of two members elected by employees, the Controller sits as ex officio, one member is appointed by the Board of Selectmen and those four select the fifth member.

Members’ questions and discussion:

- Members discussed censuring the Retirement Board or moving No Action on this budget to send a message that their failure to come to the table and answer questions about a \$7 million plus budget and particularly one that has an outstanding liability due in part to the way they have managed the retirement fund and that puts the town in a position of having to come up with upwards of \$15 million dollars in 2030 gives the impression that they might be accountable to clarify any questions the board may have. One member suggested that we communicate to the member of the Retirement Board who also sits on the Board of Selectmen to communicate the disappointment of the Finance Committee to the Retirement Board.
- However, because the numbers are dictated by a formula over which they have no control it is within their rights to decline to come in front of the Finance Committee to defend figures they did not determine and cannot change.
- Ultimately the group decided to support the Town of Natick in its obligation to appropriate the funds to cover this budget and set aside any animosity caused by the letter from Attorney Sacco until another time as Town Meeting is about budgeting funds to run the Town of Natick as responsibly as possible.

Move that the Finance Committee take No Action on the matter of the contributory retirement.

Moved/Motioned by:	Mr. Ciccariello
Seconded by:	Mr. Hayes
Motions or Debates:	<p>Mr. Ciccariello: Agrees that the budget probably needs to be funded. But the fact is this is a vote affecting \$180 to \$190 million dollars of revenues that we have to generate to pay for this over the next 15 years. That’s a lot of money. This is my way of saying show some respect to the process. The Town of Natick is investing in their employee’s future and their retirement and a four or five person board is not willing to spend an hour of their time to come before the Finance Committee? We are protecting the interests of the past and future employees of the Town of Natick at a substantial cost to the taxpayers and I’m not going to support it unless they can show some respect to the process.</p> <p>Mr. Hayes: You could vote No Action on this and still fund it because we have the omnibus budget where this resides. This is not a separate warrant article and does not require a stand-up vote on the floor. We ask the Trustees of the Morse Library and talk about what they’re doing to help a \$1.8 million dollar budget, we ask the same from The Bacon with a \$165,000 budget – we ask the Trustees every year how much they have freed up and how their endowment is doing. And yet we have these men and women who are the fiduciaries of the Retirement Plan who have a hand in the liability that the town is obligated to pay, and have a \$7 million dollar handle on our budget and they can’t come down here and discuss this with us? I’m voting No Action and if that fails I will abstain because on principle, if for no other reason, they should have been sitting at this table. My point is a \$7 million dollar budget obligation and you can’t figure out how to get one person to the table – for</p>

	whatever reason? That sends the wrong message to me – so I want to send a message back – I vote no.
Vote does not carry	2-10-0

Motion for approval of the contributory Retirement Budget for the Town Municipal side of \$7,079,771.

Moved/Motioned by:	Mr. Everett
Seconded by:	Mr. Evans
Motions or Debates:	<p>Mr. Everett: Suggest we vote this budget because we can't vote the whole budget without it. If the No Action is in response to the Board not coming to answer questions, it's not more important than voting the total budget. We can express our displeasure some other way.</p> <p>Mr. Evans: As distasteful as their actions and resulting letter has been the Financial Committee has a commitment to get a budget passed or get recommendations to Town Meeting. No Action vote would cause an interminable amount of debate at the Town Meeting explaining why we could not get by this issue and vote one way or the other.</p> <p>Ms. White to the Members: The question is who do you think a No Action vote will hurt? It's not going to hurt the board.</p> <p>Ms. Collins: A No Action vote here hurts every employee in this town. We have an obligation – they are a separate state authority. The Board of Selectman member is appointed by the Board he does not report to the Board. Fund our responsibility while recognizing and hoping that the employees will bring some pressure to bear on the board to work with the town. This is not just the Retirement Board's problem. Natick, like most communities in this Commonwealth, didn't fund their obligation way back when. They paid the minimum to get by and then the state got involved and demanded that towns fund more.</p> <p>Actuarial experience ending in December 31, 2012: yes, there was a large investment lost. However, there was actually some savings from saved administrative expenses. There was also probably two-thirds the amount of the investment lost was net loss from other experiences. That net loss totaled \$4,457,840. \$1,573,618 of that was created in large part by this committee and Town Meeting. Because it was the result of salary increases that were more than expected in the previous funding review. Every time we add to staff, every time we vote an increase there's an impact. We are limited to 8% but if we hope to get any concession from the Retirement Board and move this schedule out a couple or five years maybe to 2040, the way to do it is not to vote No Action. We need the employees to work with us. Voting No Action on a responsibility that we've incurred is not the way. Consensus is vital.</p>

	<p>Ms. Coughlin: It has to be done just let it go and vote it in.</p> <p>Mr. Freedman: I believe Ms. Collins is correct. The members of appointed by the Board of Selectmen do not report to them. The Natick Retirement Board is an independent entity and doing what they are legally able to do. There is no leverage.</p> <p>Mr. Ferrari: We need to support the recommendation to fund this.</p> <p>Mr. Freedman: I recommend taking action and voting in the budget.</p>
Vote in favor	10-0-2

Move to postpone the Fringe Benefits for the water and sewer to March 20, 2014.

Moved/Motioned by:	Mr. Everett
Seconded by:	Ms. Coughlin
Motions or Debates:	None
Vote	12-0-0 (unanimous)

Move to postpone the Fringe Benefits for Sassamon Trace to March 20, 2014.

Moved/Motioned by:	Mr. Everett
Seconded by:	Ms. Coughlin
Motions or Debates:	None
Vote	12-0-0 (unanimous)

Move to Adjourn 12:00 a.m.

Moved/Motioned by:	Mr. Pierce
Seconded by:	Mr. Evans
Motions or Debates:	None
Vote	12-0-0 (unanimous)