



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: January 9, 2018

The minutes were approved through the following action:

Motion:	Approval (as amended)
Made by:	Mr. Hayes
Seconded by:	Ms. Van Amsterdam
Vote:	6 - 0 - 0
Date:	1/23/18

Respectfully submitted,

Bruce Evans

Clerk

Natick Finance Committee

NATICK FINANCE COMMITTEE MEETING MINUTES

January 9, 2018

Natick Town Hall

School Committee Meeting Room 3rd Floor

This meeting has been properly posted as required by law.

MEMBERS PRESENT:

Dirk Coburn, Member
David Coffey, Member
David Gallo, Member
Patrick Hayes, Chairperson
Michael Linehan, Member
Jim A Scurlock, Member
Daniel Sullivan, Member
Kristine Van Amsterdam, Member
Linda Wollschlager, Member
Robert McCauley, Member
Bruce Evans, Clerk arrived at 8:45 p.m.

MEMBERS ABSENT:

Cathleen Collins, Vice-Chairman
Cathy Coughlin, Member
Jerry Pierce, Member
Philip Rooney, Member

AGENDA:

1. Public Concerns/Comments
2. Meeting Minutes
3. Old Business / Public Hearing
 - a. FY 2019 Town Administrator’s Preliminary Budget – Public Hearing
Revenue and Expense Summary and Town Administrator’s Budget
Message
Sealer of Weights and Measures
Finance Committee
Reserve Fund
Personnel Board (Budget Only)
Commission on Disability
Historical Commission
Historic District Commission
Natick Cultural Council
Town Report
4. New Business
 - b. Other Finance Committee Business
5. Adjourn

CALL TO ORDER:

Meeting called to order at 7:05 p.m. by Chairman, Patrick Hayes

Chair comments: Once we open this public hearing we keep it open until we vote the omnibus budget which depending on how things go will be sometime in early March.

ANNOUNCEMENTS/CITIZENS CONCERNS:

Public: None

Committee Members: None

MEETING MINUTES:

None.

MOTION

Move to open the Public Hearing of the Fiscal Year 2019 Budget if the Town Administrator

Moved/Motioned by:	Mr. Linehan
Seconded by:	Ms. Van Amsterdam
Motions or Debates:	None
Vote: Carried	9-0-0

OLD BUSINESS / PUBLIC HEARING:

Public Hearing: Town Administrator’s Preliminary FY 2019 Budget

Presented by John Townshend, Deputy Town Administrator & Director of Finance and Bill Mr Chenard, acting Town Administrator

Overview of Revenues and Expenses; the budget format and a general overview of where we are

Timeline started in October, Department Heads submitted their budgets at the end of November; Town Administrator met with all the department heads November 27 – December 15, the schools submitted their budgets in December and we submitted the budget on January 2nd; the presentation to the Board of Selectmen was January 8th and today we are kicking off the public hearing portion of the budget season.

I am trying to keep this presentation as high level as possible and will get into the details later on.

Brief Overview of New Format: Mission Statement and description of what departments do; Budget Highlights is a box where the departments highlight the significant changes from last year and highlight any new initiatives; the idea is to be able to see what is generally going on with this budget by looking at the first page. The final addition to the first page is graph and chart illustration of the history of the budget. There’s a new section that is still being developed called the “Department by the Numbers” which gives an overview of the indicators and numbers department heads used to prepare their budgets. Line items pretty much stayed the same except the footnotes moved to a separate page rather than below the lines for easier reference. The final new section is the New Initiatives which were previously known as the Program Improvement Requests. They have been reformatted in more of a budget style and there will be line items for personnel and for fringe benefits. The reason for this is because we don’t include the fringe in the actual department budget (it’s included in the fringe budget) so we wanted to make sure you could easily see the actual overall cost of any personnel being added to a

department. Also it notes whether this is a one-time cost or recurring expense. The new initiative form indicates why the initiative is important; affected calculations; who receives services; and any potential effect on revenue as a result of the request.

Please note that all the new initiatives that were proposed, whether accepted into the budget by the Town Administrator or not, are provided for review.

Total of general revenues project to be increased by a little over 1% to \$153,130,839. To the best of our knowledge, State Aid will be increased approximately 2.88%. Twenty-four cents of each dollar goes toward Municipal Operating – which are increasing by 1.79%. The biggest share of this is public safety. Forty-Two cents of each dollar goes toward Public Schools – we haven't had a chance to look at any details from the schools but they are looking for an 8% increase to their budget which is probably driven by increase in enrollment. Twenty-Eight cents goes toward Shared Expenses – The fringe benefits are 37% of this budget (healthcare costs are the largest part of this budget). FY19 is going to be a transitional year for us with respect to health care. We are offering all new plans and a Benchmark Plan and a High Deductible Plan so it is a little difficult to forecast these numbers because we do not have the enrollment figures yet. Cost of the plans is substantially less than the rate-saver plans that we are currently on so the overall projected increase on this is going to be 4.09%. We hope to get actual costs on the plans by the end of February. Debt Service has jumped up by 15.77% based on the projected projects that we'll be starting in FY19. Property and Liability Insurance has been increased from the carriers based on our claim history over the past several years. Facility Management shows an increase as a result of contractual labor costs.

Total Budget:	\$156,873,145
Projected Deficit	(\$3,734,306)

MEMBER QUESTIONS:

Mr Linehan: Is there an estimate of how much of the shared is attributable to the school system and how much is the town?

Mr Chenard: We don't carry that on the budget – we have not fully assigned what percentage of shared is split between these. Page 42A and Page 44 show breakdowns.

Mr Linehan: Do we have the ability to see what the four major departments (DPW, Police, Fire and School) have done over the last 5 years, or the last 3 and then this projected one on a combined basis?

Mr Chenard: Most of that information is within this document but we can certainly put that on a single page for you.

Linehan: I'm trying to understand what is growing proportionally and what is growing disproportionately.

Mr Coburn: Are there specific operational plans to promote enrollment in the lower cost health plans and what are the implications for the employees?

Mr Chenard: There are a number of incentives for employees to enroll in the high deductible plans: one being cost – our cost is lower but so is the employee's percentage share of that; the other is a payment incentive encouraging employees to go on their spouse's plan. Built into this whole process are 12 meeting sessions with town employees educating them on the details of the plans so everyone can make an informed decision

Mr Coburn: This is a domain that is negotiated parallel to, but separate from the rest of the contracts with each of the bargaining units?

Mr Chenard: It's not accurate to say all employees – it's all bargaining units – only for healthcare.

Ms Van Amsterdam: Did you say that you were going to break out shared expenses so that we'd know the school side and non-school side?

Mr Chenard: We can do that if that's a desire – the debt service is already broken out – but healthcare is not, but we can break it out; it's just additional work to do.

Ms Van Amsterdam: We're trying to get a real handle on all expenses that are non-school and all that are school particularly as we are looking at new initiatives.

Mr Chenard: The new initiative sheets do show fringe but on the school side they do not show fringe anywhere in their budget that's in process. So we have that as a rolled up number but not broken out.

Ms Van Amsterdam: Percentages, guesstimates?

Mr Hayes: Mr Chenard please take the first run at it and see what you come up with and if we feel like you need to drill deeper in some areas.

Ms Van Amsterdam: Has the administration reviewed the modeling the schools use for population growth numbers and talked about different drivers and also any discussions about helping the schools with any drivers that might be controlled?

Mr Townsend: We do not have enough detail on the school budget to calculate that detailed information.

Mr Sullivan: Energy costs? What are the trends?

Mr Chenard: Eversource has tried to change rate structure on solar use rate benefits. Capacity and congestion charges will be significant because energy is a huge dollar number in the budget. We can negotiate on the supply side. ROIs on energy investments? Sustainability all except one has paid out well for the town.

Mr Coffey: Are we looking at the rate increases of the Federal Reserve relative to Natick's debt service? Are we overreaching on our capital projects?

Mr Chenard: We have aggressively looked at where the Fed Reserve is at and where interest rates are going – they have increased and we've adjusted our debt models to reflect a slow, steady increased trend. Committees are being formed to review the revenue models and we are relying on unknowns to close that gap – we need to make a plan. We changed our revenue model last year we increased that very high and we increased it again this year. There is no space within that model to close the \$3.7 million dollar gap. You have to rely on the presently unknown figures - healthcare costs, state aid, etc. We've reduced the ability to find money from free cash as we did in the past. So we need to think differently than we did in the past.

Mr McCauley: With respect to debt, are the rates that we're retiring higher or lower than the current rates?

Mr Chenard: Rates that we're retiring are slightly lower.

Mr. Hayes: A point of clarification on the new revenue model: What Mr Chenard means by "we raised our revenue numbers" is as a result of prodding by this Committee asking Town Administration to be a bit less conservative in some of their revenue forecasts so that we would see less revenue flow at the end of the year into free cash. So when Mr Chenard talks about raising revenues he's talking about the outcome from being less conservative on the forecast – instead of saying "13.75 million for excise tax when we've typically been getting 14.5 he raised it to 14.3 – so the degrees of freedom finding free money later on is much less now.

Mr Chenard: It's not the wrong thing to do but we need to start looking at the process a little differently.

Ms Wollschlager: What is the process for going through the machinations to get this budget more in balance – and how can we, the Finance Committee, potentially help with that?

Mr Townsend: We have asked all department heads to go back and look at their budgets with a critical eye and trim where we need to. The drivers of this budget are the schools and the shared expenses. The shared expenses number is a very soft number for us until we actually get the hard numbers – it's a \$16 million dollar number that can go either way. You can help by asking the critical questions.

Mr Chenard: I think it needs to be a collaborative effort of honest communication between the town administration, the school department, the Finance Committee, the School Committee and the Board of Selectmen. Everyone needs to look with a very critical eye at all the budgets.

I started phase one today and went to the departments and challenged everybody to go back and look at their budgets to find areas where we can cut the budget and not dramatically impact services. I asked them to tell me realistically where we are at and what the items you need cost. That was Phase I. Phase II will be we need to go back and look at our budget and we prioritize services and what that number costs us as a group – and that's when we need to communicate and discuss if we can't close this gap what services can we cut? And communicate that with our constituents and find out what they think and want.

Mr Sullivan: When it's all said and done can we safely say that the budget is similar to last year's – is there anything new that is making a large impact that we should know about?

Mr Chenard: It is similar to last year in the aspect of the unknowns – it's not similar to last year in that there is not the amount of wiggle room coming from free cash.

Ms Van Amsterdam: Regarding pages 44-45 FY19 was going to be zero based budgeting vs. a split.

Mr Chenard: We didn't go 100% zero based. When we take a look at our budgets, we look at what a department spent last year and allocate that under three things: 1. Expenses that are going to carry forward (one year only expenses are then eliminated from the budget); 2. contracts that we know are going to be there; 3. what changes are occurring this year. That's the premise on how we build our budget. This split is not an assignment per se, this is the procedures we been doing for several years – we actually do this after the fact. We build our budgets and then calculate these numbers based upon the split of last year. Without the shared services, adding in the growth to the regular side and then based upon where we were last year we divide the revenue. In reality, for several years running this has been meaningless. We put it in the books, we talk about it, but we don't use it. The town has shared more of its share with the schools for several years running than the split would indicate. So we haven't used it and we put it there because people ask for it.

Mr. Hayes – This is a post-submission or post-completion analysis creating a split for reconciliation not a budget-planning or creation methodology.

Mr Chenard: It's the last step of the budget process, all the budgets are competed when we do that.

Ms Van Amsterdam: The top of page 44 says FY2019 Budget Development?

Mr Chenard: It is the budget balancing plan for this whole document which is the Budget Development.

Ms Van Amsterdam: Is it your hope that no one on the Finance Committee will ask the question "For Fiscal 19, the schools are 63% and the town is 37%?"

Mr Chenard: Let's work collaboratively to get to a number where we can get the services that we need to provide for our citizens.

SEALER OF WEIGHTS AND MEASURES Page 162

Mr Chenard: Moved under the umbrella of Community Development Office. There is a significant increase in the budget as a result of the percentages. His number of inspections has gone way up.

Mr. Townsend: Forecast increase is \$7,000 total of anticipated time spent at the new Wegman's facility.

Questions:

Ms Wollschlager: Do we get any revenue from this? Yes it does pay off on the revenue side. Are we charging enough fees to offset?

Mr Chenard: Yes the fees are established by the state.

SUBCOMMITTEE – Mr Linehan
 The exact number was not yet defined.

MOTION

Move to recommend favorable action on the FY2019 Sealer of Weights and Measures budget comprised of \$30,400.00 in salaries and technical professional services and \$890 in Expenses totaling \$31,290

Moved/Motioned by:	Mr Sullivan
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	10-0-0

FINANCE COMMITTEE BUDGET – Budget Book Page 167

Mr Sullivan: We added something at the Fall Town Meeting was that accounted for or built into this budget?

Mr Chenard: It is represented in the consultant line.

Mr Coffey: Can we explain for the public’s benefit?

Mr Chenard: The increase was driven by a change in the state law which requires minutes to be turned around quickly. Finance Committee has many sub-committee and committee meetings and needs to fund extra consulting help to get those minutes completed in a timely manner.

MOTION

Move to recommend favorable action on the FY2019 Finance Committee budget comprised \$0 in personnel services, \$1,800 in purchasing services, \$35,500 in tech and professional services; \$500 in supplies; and \$0 in equipment purchases totaling \$37,800

Moved/Motioned by:	Mr Linehan
Seconded by:	Mr Coffey
Motions or Debates:	None
Vote: Carried	10-0-0

RESERVE FUND (see rollup on Budget Book page 8)

Mr Chenard: The page for the Reserve Fund did not get into the budget book. However, it is on the roll-up on page 8 of the document the reserve fund is included in the summary. The reserve fund requested this year is \$250,000. It has been at that number with the exception of one year where we added \$50,000 and we determined last year that we didn’t need to do that. We are recommending that we keep it at \$250,000.

Mr Hayes: For tonight’s purposes, the reference will be page 8 of the Budget Book under the section for General Fund – we will get a page from Mr. Mr Chenard shortly.

Questions:

Mr McCauley: Can you briefly describe the usage of the reserve fund in the current fiscal year and the expected usage next year?

Mr Chenard: In the current Fiscal Year we have no reserve fund expenses. Last year, we had two expenditures totaling less than \$20,000. I'll get you a complete expenditure list. There are two issues in the current fiscal year FY2018: pipes burst and insurance deductibles if they cannot be absorbed in the facilities budget. Money in the reserve fund falls to free cash if not spent.

MOTION

Move to recommend favorable action on the FY2019 Reserve Fund budget totaling \$250,000

Moved/Motioned by:	Mr Coburn
Seconded by:	Mr Linehan
Motions or Debates:	None
Vote: Carried	10-0-0

PERSONNEL BOARD Budget Book Page 133

Mr Chenard: Several of the Boards and Committees that have small budgets don't spend them. They may find a reason that they need the funds so we fund it minimally.

Questions:

Ms Wollschlager: Given that they haven't spent money do you have any idea what they might spend money on?

Mr Chenard: Possibly printing expenses.

MOTION

Move to recommend favorable action on the FY2019 Personnel Board budget totaling \$1,000

Moved/Motioned by:	Ms Wollschlager
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	10-0-0

COMMISSION ON DISABILITY Budget Book Page 168

Mr Chenard: The Commission on Disability has been at that total of \$750 for a number of years. They serve the community well.

Questions: None.

MOTION

Move to recommend favorable action on the FY2019 Commission on Disability budget comprised of \$125 in technical professional services, and \$625 in supplies totaling \$750

Moved/Motioned by:	Mr Coburn
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	10-0-0

HISTORICAL COMMISSION Budget Book Page 170

Mr Chenard: The Historical Commission has been at that total of \$750 for a number of years and they do not typically spend their budget. The Historical Commission is responsible for certifying construction projects within the town’s two historic districts.

Questions: None

MOTION

Move to recommend favorable action on the FY2019 Historical Commission budget totaling \$750

Moved/Motioned by:	Mr Sullivan
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	10-0-0

HISTORIC DISTRICT COMMISSION Page 171

Mr Chenard: The Historic District Commission is a regulatory body - \$590

Questions: None.

MOTION

Move to recommend favorable action on the FY2019 Historic District Commission budget totaling \$550

Moved/Motioned by:	Mr McCauley
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	10-0-0

NATICK CULTURAL COUNCIL Page 169

Mr Chenard: The Natick Cultural Council spends their budget of \$700.

Questions: None.

MOTION

Move to recommend favorable action on the FY2019 Natick Cultural Council budget totaling \$700

Moved/Motioned by:	Mr Coburn
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	10-0-0

Mr. Evans arrived at 8:45 p.m. prior to hearing this Motion.

TOWN REPORT – Budget Book Page 134

Mr Chenard: Town Report budget is to publish the Town Report. The reason for the drop in the amount is because of the double printing we had budgeted for in the 2017 town report.

Questions: No.

MOTION

Move to recommend favorable action on the FY2019 Town Report budget totaling \$4,100

Moved/Motioned by:	Mr Linehan
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote: Carried	11-0-0

Take Away Item List review by Mr Chenard: Breakout of all shared revenue and where that falls; Five minute history of the top 4 items; shared expenses town vs. school; and the revenue for the Sealer of Weights and Measures.

Mr Sullivan: Benchmarks of Revenue Certifications

Mr Chenard: The big excise commitment is February/March timeframe and it’s dependent on the Registry of Motor Vehicles and when they get the file to us. We should know by March 15th where we’re headed with that commitment. End of February for the healthcare costs – February 21st. We won’t have the final state numbers until probably June. The debt interest rates will be monitored.

NEW BUSINESS:

Future Meeting Dates/Scheduling

Budget & Warrant Public Hearings/Sub Committee Hearings

Our budget hearings will run through the end of February with the exception of a few things. We will not have the school budgets completed. We will have three sets of school hearings – Natick District and Keefe Tech District will come back with a budget update late January early February. We will not hear the final detailed school budget to vote on until mid-March. That allows the school committee to do their work with the

school department administration. Collective bargaining warrant article will be heard around the same time as the Omnibus. All department budgets will be completed by the end of January.

Sub-Committee chairs are going to need help and you need to attend the subcommittee meetings. The reason the schedule is so tight is we are going to have a special town meeting for the Kennedy Middle School building project. There is a lot of due diligence for this special town meeting. I have purposefully scheduled to do a hard push in January on budgets because I don't know what the warrant will look like for the special Town Meeting. I have set aside two nights for the Kennedy Building Project Warrant hearing because we're talking about a very expensive building there will probably be due diligence for this committee on that.

Notwithstanding citizen's petitions the town warrant is going to be very large – could be warrant articles in the 30s -

Discuss and make updates to FY2019 Documents Request tracking sheet

Mr. Evans: Kennedy Middle School – they have committed to developing a project scope booklet (from the OPM) Mr Evans will put together an email to submit to the committee that includes that material and provides background prior to our meeting.

Mr. Hayes: There is a link to the Kennedy building project page online on the Natick Public Schools website– members should feel free to review there and send me questions that you have – natickps.org there is a link to the building project page.

Ms Wollschlager: Keefe Tech budget is going up – won't be business as usual this year.

Mr Hayes: January 30th is a questionable meeting night because 3 members of the committee will be at another meeting for the search for the Town Administrator.

Ms Wollschlager: SubCommittee chairs need to let everyone know about all the meetings so people can schedule meetings without conflicting.

Mr Hayes: re old document requests – review and please let Mr Hayes know if there are additions to that list.

ADJOURN

MOTION

Motion to adjourn.

Moved/Motioned by:	Mr Linehan
Seconded by:	Ms Van Amsterdam
Motions or Debates:	None
Vote Carried	11-0-0

Meeting adjourned at 9:11 p.m.