

February 8, 2017

Finance Committee Meeting held on Wednesday, February 8, 2017 beginning at 6:15 p.m. in Conference Room #1 in the Ludlow Town Hall.

Members present: Maureen Downing, Chairman, Heidi Fogg, Joan Cavallo, Richard Moskal, Eric Gregoire, Nelson Duarte, Susanne Boyea and Beverly Tokarz

Members excused: Raymond Yando

Ms. Ellie Villano and Selectman Derek DeBarge were also present. Ms. Kim Collins was absent.

The First Order of Business: The Pledge of Allegiance

The reason for the delay in starting the meeting was because there was a Capital Improvement meeting which Ms. Fogg, Ms. Villano, Mr. DeBarge and Chief Madera attended. Ms. Downing suggested that when there is a Capital meeting that the Finance Committee meeting begin fifteen minutes later.

At this time the committee met with Chief Paul Madera who is requesting a Reserve Fund Transfer in the amount of \$9,000. to be transferred from the Reserve Fund for Capital Outlay, Additional Other Equipment.

The Chief explained that back in 2013 he had a \$14,000 line item for the cruisers. At that time there was a request to cut the budget by a certain amount of monies. The line item was reduced to \$6,500 and then in 2015, \$3,000 was added to the account. The reason it was cut was because the department was allowed to sell their surplus police cruisers. When sold they would take the funds and put it back into the line item that was cut. The State, after filing the Articles and passing the Article at Town Meeting indicated that a 531/2 Article could pass for funds but they couldn't do it for funds that were from appropriations from past years. The cruisers are appropriated vehicles. You can sell them but the money has to go to the General Fund. That line item has been in the negative for the past 2 years and it won't change until the money is put back. It's a fixed cost figure. The money was used to outfit the cruisers. The funds will be included in FY'18's budget to bring the amount back to the original \$14,000. The line item is a minus \$8,486. Last year the department replaced the supervisors vehicle, there wasn't enough money for equipment, so they only bought the car and he had to use the money from the line item because they couldn't use the money from the sale of the old cruisers.

Moved by Ms. Fogg, seconded by Ms. Cavallo to approve the amount of \$9,000 to the Chief's budget

Vote: 8-0 in favor

At this time Ms. Villano discussed the parameters for the FY'18 budget which were set at the Selectmen's meeting last week. The budget requests have been sent out to the department heads. The scheduled department head meeting is scheduled for Friday, February 10th. The departments have until next Friday, February 17th to complete them and forward them to the Selectmen's Office.

The parameters are very simple. Whatever the true payroll number is, utilizing the contracts and 2% to non-union employees, and 4% to the School Department. There will be increased beyond the 2% based on Steps, increases etc. The Governor's numbers came out and they were disappointing. Over last year there is about \$62,000 increase total for the school and Town. If they don't want to have layoffs, the expenses will come in at a 0 increase but they are asked to review their budgets and actually make decreases in their expenses if they can. They will also take a look at the energy costs and fuel usages. The Town Accountant was able to do a study on budgets that have been consistently coming in under budget for 5 plus years and adjust them accordingly. There is 1.1 million dollars in Free Cash which is lower than previous years. They are taking a conservation approach again this year. There is no number for the health insurance. There have been increases at 10-14%. It's a big budget number. They are taking a look at the health insurance plans. They have adopted a new program for post 65 employees that aren't eligible for the Medicare Plan. The health insurance company will give the Town a 1.5% reduction for the new plan. She's hoping with the new plan and changes that they are implementing there will be a reduction in price. For the Post 65 Plan, the people who are not eligible for the Medicare Plan because they don't have enough quarters in, the Town will buy the plan for them and reimburse them. The group of employees will be taken out of the pool and put them in the Medicare pool. It's a cost reduction in the amount of money that the Town is paying for their health care, the employees are getting a better plan and it's adjusting about \$500,000 towards the pool that determines the overall increase. It should come out to be a 2-2 1/2 decrease in the health costs over a year or two.

Ms. Downing said that the Budget Sub-Committee is trying to put some money in Stabilization. Ms. Collins put in \$400-500,000. She believe that the next 3-4 possibly 8 years will be back to a recession type years where there will be cuts and layoffs. She feels that they will need savings, especially with the new projects and bonding issues etc. The Selectmen would rather offset the taxes than put money into savings. Mr. DeBarge feels differently. He would love to save money. He knows how hard it is to say no to several good projects to save money. Ms. Downing said that her goal over that last 4 years to not take and offset the taxes at the May Town Meeting with Free Cash. Her goal is to do it in October Town Meeting so there is a better picture. She did a ten-year analysis on taxes and when the offset is too early there is too much money applied. At a Pioneer Valley Planning Seminar they agreed that Free Cash should be applied in October. Money should be used for a one-time event; it shouldn't be used to offset the taxes. Mr. Gregoire said that wrong thing to do is to apply any Free Cash towards the tax rate unless it is for a designated purpose or to keep the community below the 2 1/2% override. He said that it creates a structural deficit to begin the new fiscal year. He looked back on the tax rate and said that we always begin the year with a structural deficit because their offsetting it with revenue that is not there. The Town is operating by taking the savings. It becomes a very dangerous game if things don't line up and there isn't the excess money set aside. Ms. Villano feels that the philosophy has always been that the Free Cash money has already been paid for through taxes so the relief should be back to the taxpayers. Mr. Gregoire can understand that argument but there is a better way. Ms. Downing pointed out that if the money was put into Stabilization, if a million and a half dollars were to be applied in May, maybe in October they realize that only a million, two had to be applied, then there would be \$300,000 left in Stabilization for savings. The process has to start one step at a time, because the Selectmen have been adamant against it. Mr. Gregoire said it continues to make sense to advocate that it's a long term strategy that the committee should look to employ when there is an opportunity. Whether or not it happens soon, taking baby steps

to achieve the goal is necessary. Ms. Villano feels that finally some people are hearing what is being said as people are continuing to be educated. The finance aspect of it is more open and becoming apparent to people and everyone is taking a stronger look at the finances.

Ms. Downing explained that the Selectmen would like answers from the Finance Committee at the beginning of April. Budget meetings will start on February 22nd. A schedule will be provided and like last year all the budgets will be provided to all the members. It is important that all members attend the meetings. Mr. Yando is absent until the end of March. There is a scheduling problem on March 1st with three members. The committee agreed to schedule a meeting on a Monday evening, February 27th. Mr. Duarte stated that he has a work commitment for three weeks. He will be in southern New Jersey beginning February 20th.

Meetings will be scheduled on February 22nd, 27th, March 8th, 15th, 22nd and 29th. Warrant Articles will be discussed on the 29th and Ms. Downing will meet with the Selectmen on April 4th. The Town Meeting will be held on May 8th.

Mr. Moskal updated the committee on the Senior Center Building Committee progress. The committee has met with West Mass Management, Eric Nelson to discuss land considerations. There are two sites available on State Street. One is the original proposed spot which is 4.4 acres. There is another piece of property that has not been sub-divided but could be considered. The second one would be lower in cost because it's beyond Chemi-Graphic which could lower the cost. West Mass was supposed to provide cost per acre and financial alternatives which was never provided. Mr. Nelson said that it won't be provided until April or May. The committee also had a meeting with Ms. Villano and the Council to speak about different options to go forward with one or two Articles. They also spoke about an RFP to look for land that would be suitable for a Senior Center. One of the Articles would request money to be used to put a deposit on a piece of land to hold it pending approval of the voting process. They are looking for a \$40,000 amount for the Article. The money would also cover the land appraisal and architect. Their goal is to get on the March, 2018 ballot pending Town Meeting approval. If approved construction can begin in 2018. The committee visited Agawam and Westfield Senior Centers. Hadley has the same form of government as Ludlow does. Ms. Zepke spent time in Hadley learning what they did to get the project approved. Agawam and Westfield have a mayor form of government. Ludlow Senior Center services the most seniors in the area.

Ms. Downing said that because the senior committee didn't follow the process properly, they delayed themselves a good year. They would like the funding for the deposit in an Article in this May's Town Meeting. Mr. Moskal thinks that the feasibility study is excellent. There were to many people trying to design the building and the 10.5 million dollars to build a new facility is not a good number. The \$40,000 would cover the deposit the architectural design etc. Ms. Downing said that the school hired an owners project manager who works for the school committee and protects them. Ms. Downing suggests hiring an owners project manager to help the senior with their feasibility study like the school did, to walk them through with what they already have and to help them with an architect.

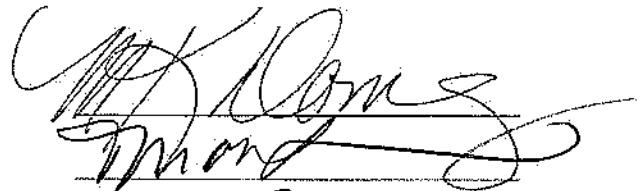
Moved by Ms. Boyea, seconded by Ms. Fogg to peruse and approve the Finance Committee Minutes of January 18, 2017 as written

Vote: 6-0-2 in favor. Ms. Boyea and Mr. Gregoire abstained

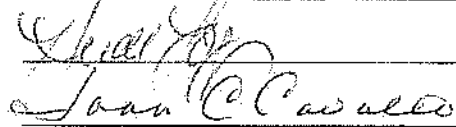
The next meeting will be held on February 22nd in the Selectmen's Conference Room and then on Monday, February 27th. These will be budget review meetings.

Moved by Ms. Boyea, seconded by Ms. Fogg to adjourn the Finance Committee meeting at 7:23 p.m.

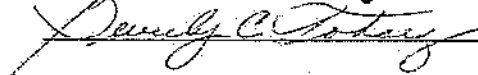
Vote: 8-0 in favor



Nelson Strach



Suzanne M. Boyea



Ludlow Finance Committee