

March 29, 2017

Budget Meeting of the Finance Committee held on Wednesday, March 29, 2017, beginning at 6:00 p.m. in the Selectmen's Conference Room, Town Hall.

Members present: Maureen Downing, Chairman, Heidi Fogg, Susanne Boyea, Joan Cayallo, Richard Moskal, Raymond Yando, Eric Gregoire and Beverly Tokarz

Members absent: Nelson Duarte

Ellie Villano and Kim Collins also attended the meeting

At this time the committee met with the Recreation Commission to discuss their budget. Sean McBride and Debbie Gates attended the meeting.

Mr. McBride presented Ms. Downing with their revised budget. They decreased their councilors to 36. That is the number they had last year. If their numbers of campers increase they will be back to ask for more positions. There was a discussion as to why the numbers for the councilors pay was higher than the actuals from last year. Ms. Gates calculated the pay for the councilors at \$126,720. Ms. Downing still feels that there is a discrepancy in the amount, but the amount will stay. The Selectmen approved the pay raises for the asst. pool manager and co-director. Those line items are \$16,164. The chemicals line item was reduced to \$20,000. The total budget is \$397,052.92.

Moved by Ms. Fogg, seconded by Mr. Moskal to approve the Recreation Commissions budget at \$397,053.00

Vote: 8-0 in favor

At this time the committee discussed the Board of Health's budget. The previous total which included the pay increase for a LATOS position increase was \$325,334. The new Board of Health total budget is \$322,670 which is without the increase that was not approved by the Board of Selectmen. The other reduction was for mileage. The cut was from \$6,500 to \$6,200. Ms. Villano said that the Selectmen tabled the approval. The Board of Health is supposed to compile a job description, refine the job, and go back to the Selectmen. Ms. Collins said that the Board of Health deducted the increase from the budget because they thought it wouldn't be approved.

Moved by Mr. Yando, seconded by Ms. Fogg to approve the Board of Health's budget at \$322,670.

Vote: 8-0 in favor

Ms. Downing said that last week the committee spoke about the School Department. Their budget line items increased and decreased according to schools. The history, enrollment and all their costs over the years was provided to compare costs. The school is requesting \$30,682,644, which is over Net School Spending. Net School Spending is a minimum requirement that the State requires each town, city, regional school district to spend on their students. They are over the requirement by 33%. They are down 48 students for enrollment. Mr. Gregoire appreciates the

proposals that the administration puts forward. One of the things that is helpful for him to see is they do internal offsets and budget cutting school by school and levels of service to meet some of the internal needs in their budget. Net School Spending is becoming more antiquated like Chapter 70 funding. It's not keeping pace with the changes and not representative enough of what it truly costs to educate students. Ms. Downing agrees with Mr. Gregoire's statements. She spoke about the Special Needs program and commended them on the process that they use to keep savings within that area.

Moved by Ms. Fogg, seconded by Ms. Boyea to approve the School Department budget at \$30,682,644.

Vote: 8-0 in favor

Ms. Collins distributed worksheets to the committee with new totals of departmental budgets, estimates of the Annual Town Meeting and Capital Improvements, which has not been finalized. Ms. Villano said that Special Article closeouts and Free Cash will be used. She said there is about \$376,000 total, less all of the funding sources, and \$93,000 remains and recommends that Free Cash be used. There are commitments from prior years for trucks, ambulances etc. : \$174,000 was the total of closeout Articles, \$58,000 from the ambulance, \$50,000 from Surplus Overlay and \$93,000 from Free Cash.

Ms. Downing feels that the total budget will be in the vicinity of \$66-67 million dollars. The Budget Sub-committee is meeting on April 6th, and the Board of Selectmen on April 11th. feeling confident that the committee can justify the decisions made.

Mr. Yando raised an issue last week with Fringe Benefits. He met with the Treasurer and the issue has to do with the health insurance. One was 3%, the other was 6%. The reason for the difference is the Town is forcing 29 people to go on to Medicare. To do that they have agreed to pay penalties for those people. The basic difference came out to be \$245,000. It will be a 1 ½% reduction over the whole policy but it is contingent on all 29 people going to Medicare. At present some people haven't responded, some people will have penalties for not registering with Social Security. The Treasurer indicated that she had enough money in the budget to cover the costs for the 29 people. If she had excess money it will come back to offset the FY'18 budget. Ms. Villano feels that the numbers are closer than what the Treasurer thinks. Ms. Villano will meet with Ms. Barros to discuss this issue further prior to the next meeting. Once the 29 people get on to Social Security they will be out of the pool of insurance. They will not be adding to the cost of the pool which will lower the premiums for the Town going forward.

Ms. Downing doesn't feel that the committee will have to meet 5 more times. The committee would like to take the week of April 19th off and schedule a Regular Meeting and Budget Meeting on April 12th. The next meeting after the 12th would be on April 26th and then a meeting prior to Town Meeting at the High School. If any budgets need to be revisited and voted on the committee will do so at the above mentioned meetings.

Ms. Villano will work with the Treasurer for new numbers and possibly get an updated sheet from the Town Accountant regarding impacts of the Warrant for next week. The departments will be notified by next week re: Capital Improvements update.

Mr. Gregoire wants to go on record regarding his feelings and where we are with the budget numbers and parameters. He feels that changes in new positions and edits that were made in Snow and Ice and potential expenses and looking at how much the budget is growing, just on the operating expenses, he feels that we are outside of the parameters and maybe the Selectmen are outside of their own parameters, especially regarding new positions. The costs of the contractual growth is about what the levy capacity is. When looking at the growth from FY'17 and 18, General Debt and Interest and Fringe Benefits, it eats up all the new growth as well as a 2 ½% increase at the levy capacity. He is worried about what we are potentially proposing and what the Board of Selectmen should be aware of. He is not comfortable how the numbers look, because of the potential to eat into the levy capacity, the continued reliance on Free Cash and how the Town is already operating in a deficit. There is control in some areas of spending and we should be holding back on some increases. The economy is doing very well and he feels that expenses are growing too quickly outside of the contractual obligations. He feels that conversations should happen on decisions of what is necessary and what is not and raise a concern of what is happening.

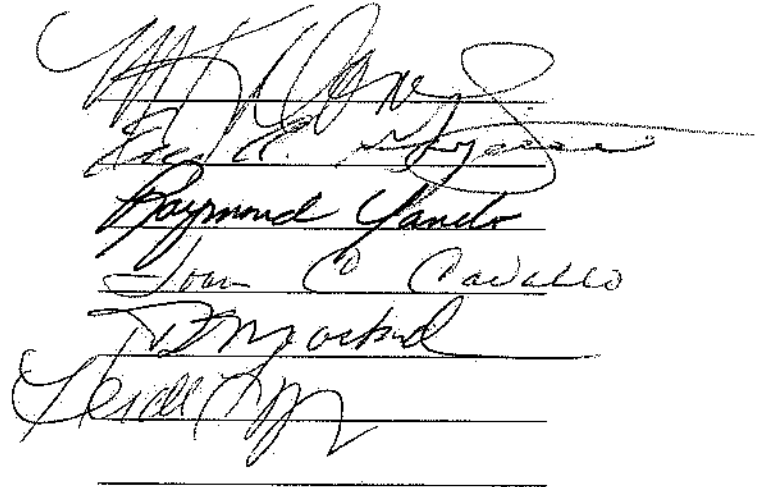
Ms. Downing said that her final thoughts were that there were a lot of not only new positions but upping positions to different categories. She understands increasing payroll for minimum wage however she doesn't think departments were being as lean as they could be or looked for extra savings within their budgets. She feels that the payroll increases, and decisions being made by the Board of Selectmen were premature, given the fact that they did not see the final numbers with the increases. Their looking at a 5% increase, which is not all payroll.

Mr. Gregoire feels that everyone has to be concerned about the financial sustainability and what is reasonable. He feels that if there is a school project or other Capital needs for the Town, there won't be enough excess capacity within the levy to make other decisions and have options. Retaining some of that and looking at some of the numbers as indicators is what is important to him.

Ms. Downing feels that the committee voted how they had to but is not necessarily comfortable with the outcome. The rest of the committee agrees. Ms. Fogg said it wasn't an easy process this year, it was a learning experience and she feels that with the information that was given along with the needs and approval, when the Selectmen see the bottom line and if the budget comes back to the committee to make adjustments, she completely supports what was said and there are other areas to look for adjustments. Mr. Yando asked why there is a large increase in debt? Ms. Villano explained that the High School and Middle School debt is through MSBA and 5 years ago they gave the Town 5 years' worth of reimbursement up front which was amortized through those 5 years. The 5 years is up and the amount is now due. The bond will be paid off in 2021 but the MSBA gave the Town 5 years of bond payment in advance. That money was used and now it is due. You're going to see that there is a million dollars in debt but there is \$876,000 payment to the Town that will come in under funding. So the increase in debt is not as substantial. There also was a discussion about the ambulance and how they generate income. There are a lot of gray areas that are not known with regards to funds that some departments collect. Maybe next year each of those departments can see a year to date breakdown of the departmental revenue vs. State grants etc.

Moved by Mr. Gregoire, seconded by Ms. Fogg to adjourn the Finance Committee meeting at 7:30 p.m.

Vote: 8-0 in favor



Five handwritten signatures are written over horizontal lines. From top to bottom, the signatures appear to be: 1. A large, stylized signature starting with 'M'. 2. A signature starting with 'E'. 3. A signature starting with 'R'. 4. A signature starting with 'J'. 5. A signature starting with 'S'.

Ludlow Finance Committee