1. APPROVED BET Budget Comm. Decision Day Minutes

Documents:

APPROVED_BET_BUDGET_COMM_DECISION_DAY_MINUTES_02-24-05.PDF
Ms. Storms invited Dr. Sue Wallerstein to review the BOE proposal to create a Reserve for Restricted Receipts Fund.

Dr. Wallerstein said she would like to see the creation of this rental reserve fund for one year as a trial run. While the BOE has policies encouraging the use of BOE facilities by the community, the costs associated with such community use of the facilities are currently not matched in the same fund to the rental revenues. She would like to have costs and revenues in the same cost center.

Costs other than custodial overtime – such as wear and tear on equipment, maintenance, repair, supplies and personnel – have come from the school’s operating budget. The cost of custodial overtime, which is budgeted, has exceeded the amount budgeted in recent years. Revenue generated from the rentals goes into the Town’s General Fund. For example, in 2003-2004 the amount budgeted for custodial overtime was $110,000, while actual custodial overtime costs for rental activities were $157,348. Rental revenues going into the General Fund were $198,732.

Dr. Wallerstein said that the purpose of creating the proposed fund would be to put all the expenses and revenues associated with the rental of school facilities in the same place so that there can be better control. The goal would be to insure that community use of
school facilities is a self-supporting operation in which the costs associated with the rental activities are supported by the revenue generated through rental fees.

Dr. Wallerstein provided a written summary of the proposal, which included an estimated 2005-2006 budget of $240,000 for the proposed cost center, with revenues covering expenditures. She said that, because this has never been budgeted before, all numbers were guesses. She said that custodial overtime of $165,000 was the best estimate and that the next best estimate was for the audiovisual services. She hoped that this one-year trial run would provide good data for the 2006-2007 budget as the cost center would be structured to surface all costs associated with rentals.

In response to a question from Ms. Burnett, Dr. Wallerstein said that supplies were now in the BOE operating budget. Dr. Wallerstein expressed her concern about resources falling into disrepair.

Mr. Simon raised these questions.

- What happens at the end of the year if revenue exceeds expenses?
- How does the Town know that the costs charged to the fund can actually be attributed to rentals?
- How do we determine capital wear and tear proportionate to rental use?

Mr. Mynarski said that a surplus would keep accumulating. Dr. Wallerstein said that rentals could be reduced, or a surplus could be applied to something else. Mr. Simon asked if a surplus could revert back to the General Fund. Mr. Mynarski said that this was an option. It could be a restricted receipt fund with a one-year life, rather than a revolving fund.

In response to a question from Ms. Storms, Dr. Wallerstein said that determining maintenance costs related to rental wear and tear was difficult, but that there needed to be a charge for this. Otherwise it will come out of the education budget, and there will be no incentive to do needed maintenance resulting from rental activity.

Mr. Walko said that, while he understands the efficiencies in this proposal, it would create yet another fund “out there” where money is expected to flow back into the General Fund. He said that the trend has been to try to eliminate such funds. He asked if the same objectives couldn’t be achieved through an accounting exercise rather than by the creation of a separate fund.

Mr. Mynarski said that there was a control issue, with a potential for loss of control with the proposed fund. He asked how the actual cost would be tracked.

Dr. Wallerstein replied that the current system has no control and that there is no incentive for the BOE to be vigilant because it will cost money. She said an alternative was for the Town to create a $240,000 cost center in the BOE budget, with the Town keeping the revenue.
Mr. Walko said that another alternative was to just do the accounting and track the expenses. Dr. Wallerstein asked where the money would come from. She said she did not want rental expenditures commingled with K–12 educational expenditures.

Mr. Gieger said that it can be controlled and tracked within the budget. He said he thinks this was a "guideline issue."

Dr. Wallerstein replied that this proposal came about independently of the guideline. She said she just wants it done right and is open to whatever method accomplishes the following three goals:

- The costs are covered.
- The method of recouping revenue to cover costs is not unduly burdensome to the BOE.
- The system allows tracking.

Mr. Simon said there were two choices:

- Put $240,000 for rentals in the BOE budget with the Town keeping the revenue
- Give the revenue to the BOE and not put the extra $240,000 in the budget

Mr. Gomeau suggested that a separate revenue fund be established. Mr. Gieger said that this would be modeled after the Shellfish Commission. Mr. Gomeau said a special revenue fund could be established with the assumption that revenue would cover expenses. There would be no need to appropriate money, with the balance determined at the end of the year. Mr. Gieger said that the establishment of such a fund would depend on a Resolution similar to the Resolution concerning the Shellfish Commission.

CONDITION ON LAW DEPARTMENT’S BUDGET

Members of the Budget Committee discussed the intent and wording of the condition to be placed on the Law Department's budget as found in the most recent draft of the Committee’s Budget Message. Several changes in wording were suggested.

EMERGENCY PREPAREDNESS MANUAL

Mr. Simon inquired about a $15,000 request for the Red Cross for an Emergency Preparedness Manual. Mr. Gomeau said that he did not know what this is and that it was not anything the Town was doing, and is not related to Paul Connolly's draft of the official Town Disaster Plan for the state. More information can be obtained before March 22.

RETIREMENT BOARD ADMINISTRATION

*Investment Fee Schedules*

Mr. Gomeau said that New England Pension Consultants' latest report calculates an annual fee of $1,577,427 (based on a market value of $308,317,824). Mr. Mynarski
handed out a chart illustrating this calculation with fee schedules and a blended rate based on the asset allocation as of December 31, 2004. Mr. Simon said that he has “no confidence in that piece of paper.”

Mr. Gomeau said that it will always be an estimate and that however it changes each quarter is what we will be billed on. The projected balance for June 30, 2005 is $314 million, which is a conservative estimate. Based on this estimate $1.6 million would be required in fees.

Mr. Simon said that he would like to see us have a consistent methodology for calculating fees from year to year.

Mr. Gomeau said that this can be done, but that $1.6 million is reasonable for the '06 budget. It was agreed that a model would be developed and presented in next year's budget.

Software – Diversified Investment Advisors

Considerable discussion took place about:
- Whether or not to fund the $90,000 requested for the rental and maintenance fee for the Diversified software
- How much to fund
- Problems in oversight
- Data integrity concerns with regard to the proprietary data base that is feeding information to Diversified

After much discussion, members of the Budget Committee agreed to take the following actions with regard to the Retirement (Department 131) budget:
- Increase fund management fees (line 51490) by $112,000, from $1,918,000 to $2,030,000
- Decrease funding for Diversified software rental/maintenance (line 52360) by $67,500, from $90,000 to $22,500
- Decrease travel expense (line 52100) by $4,000, from $6,000 to $2,000
- Remove $30,000 for document imaging (line 52190), from $30,000 to 0
- Charge Retirement for benefits, an increase of $41,000

The net result of these actions was an increase in the Retirement budget of $51,500.

In addition, the Budget Committee placed the following subject to release condition on $1,200,000 of the Retirement budget (approximately 50% of the budget):

Upon acceptance of a report showing progress toward 1) creation of a summary plan document; 2) documentation of procedures that insure database and audit integrity and support by the Town IT Department; and 3) program ability to calculate retirement benefits and project benefits.
WAN

Mr. Gieger provided a handout showing that the Light Path budget has decreased from $992,414 in 2002 – 2003 to $727,572 proposed for 2005 – 2006, with the number of installations increasing from 29 in 2002 – 2003 to 34 in the current budget year. Mr. Gomeau said that the relationship with Light Path has worked out well overall.

FIRE DEPARTMENT WATER BILL

Members of the Budget Committee noted that the Fire Department water bill was running $100,000 below budget in 2004 – 2005 and yet the same amount was being requested for 2005 – 2006. They questioned why this was the case.

Rather than reducing this line, as Mr. Simon initially suggested, or conditioning it, as Ms. Storms tentatively suggested, members of the committee decided to request an answer to this question by March 22.

Mr. Gomeau said he was sure there was a reason for the amount requested.

Mr. Gieger subsequently spoke to Chief Warzoha who said that the extra pipe footage and hydrants are in place today, but that the reason the current water expense appears to be under budget is that Aquarion has not yet billed the Town.

CAPITAL ITEMS

Mr. Walko expressed concern about the budget numbers for the Safe Routes to Schools Program, wondering if there might not be a redundancy here. He said that this was not being looked at as a coherent whole, but rather that there were disconnected plans and committees.

Mr. Simon said that it was not clear who was coordinating the program.

Mr. Gomeau said that he would come back with more information on a Safe Routes to Schools plan before March 22.

Ms. Burnett inquired about the coordination between the plans for Greenwich Avenue (priority #29) and the Central Business District Master Plan (priority #45). She said she had not received an answer from the Commissioner of Public Works regarding how these were being coordinated. She said she thought it should all be looked at together. Mr. Gomeau said that it will be coordinated, but that these were still two separate programs.

At 11:55 a.m. the members of the Budget Committee took a lunch break.
The meeting resumed at 12:35 p.m.
FIXED CHARGES

Discussion of Fixed Charges focused on the RFP for insurance brokerage services that had just gone out and the plan to enter the CIRMA network for Workers Compensation Claims. The $1.7 million budget number recommended by Mr. Mynarski represents existing claims. Entering the CIRMA network will not result in immediate savings, but Mr. Mynarski anticipates that the number will be reduced in the future.

CAPITAL ADJUSTMENTS

Mr. Gieger reported three Capital adjustments:
- North Street Boiler in Pay As You Go
- TNW – lower maintenance due to an interim appropriation
- Pavilions removed from the Parks & Recreation capital budget

SEWERS

Mr. Mynarski gave an overview of the numbers in the Sewer Improvement and Sewer Maintenance Funds. The Fund Balance comes from the audit report. Mr. Simon expressed a concern that we are under budgeted for sludge transport. The average Sewer Improvement Fund balance is projected to be $5.6 million to generate $200,000 in interest. Mr. Simon said that we should recalculate the interest and reduce it to $100,000 and raise the mill rate accordingly. The interest in the Sewer Maintenance Fund is projected to be $35,000.

SCHOOL LUNCH FUND

Ms. Storms said that this should be a break-even fund and that the BET’s goal was to have 100% of related employee benefits charged to this fund no later than the FY 2006-07 budget.

PARKING FUND

With construction of a new parking structure, the parking fund balance will be reduced to zero. The goal is not to eliminate the Parking Fund. The goal is to charge to departmental operating budgets the operating expenses now charged to the Parking Fund. Operating expenses that don’t belong in the Parking Fund should be moved into the General Fund.

GOLF COURSE

Discussion focused on the loan from the Town for the new clubhouse (the Resolution is for up to $500,000). The Town will be repaid with accrued interest. This loan should work the same way as did the loan for the Irrigation Project. The Golf Course cannot use the Rainy Day Fund for this project because the goal for the Rainy Day Fund is to have a minimum balance of $250,000 that is for emergencies and the Fund Balance is needed for
recurring ongoing capital maintenance projects. The fund raising push will come when the Town budget is passed because the Town’s loan commitment will give momentum to the fund raising drive. The clubhouse is in the CIP for $1 million of the $1,103,000 for all the golf course Capital projects.

OPEB

Mr. Gieger said that the expenses tie into the Carew projection and assume that all retirees go into 3 tier Rx plan. COBRA is not included in OPEB because there is a new Resolution in the budget which makes both COBRA and BOE Retirees a pass-through. The current Fund Balance is $11.6 million, with a liability of $29 million. The goal is to be fully funded at $29 million and to fund present and future liability over 27 more years. This will be evaluated by the actuaries at the end of the year.

RESOLUTIONS

Members of the Budget Committee discussed the Pay Plan - what it is and who approves it. According to the opinion of the Town Attorney, every appointing authority must sign off on any change to the Pay Plan. Discussion led the Budget Committee to a consensus that the Resolution on the Pay Plan should be stricken and that the Pay Plan should not be in the Budget Book.

The question was then raised as to whether the Budget Committee has the authority to strike the Pay Plan Resolution and remove the Pay Plan from the Budget Book, or whether this must come before the full BET. Mr. Walko said that this should be discussed at the next Law Committee meeting, and that the Law Committee will look at all the Resolutions and make recommendations. Mr. Walko said that he would hesitate to vote on the Resolutions today. In response to a question from Mr. Walko, Mr. Gieger said that the Law Department has so far signed off on all of the Resolutions except the Resolution on the Golf Course. Mr. Walko stressed the importance of reviewing the Resolutions and having them in order before the budget goes to the RTM.

BOARD OF EDUCATION

Reserve for Restricted Receipts Fund – Rental of School Facilities

Mr. Simon proposed that income from the rental of school buildings go into the General Fund as revenue and that the BOE voucher the Town for their rental related costs.

Mr. Gieger suggested instead that the income be put in the same type of fund as the Shellfish Commission, with the BOE being reimbursed for their rental costs from this fund, so that both revenues and expenses could be shown there.

After discussion, it was agreed by consensus that the $100,000 for the revenue in the proposed budget will be reduced to 0. A Journal Voucher procedure would be established to code expenses directly to the account.
Mr. Simon inquired as to what would happen if the revenues exceeded the expenditures.

It was agreed that there should be a condition requiring that any revenues in excess of expenses go back into the General Fund and that a Resolution should be written to do it this way.

**Grants Benefits – Payment of Employee Benefits From Grants**

Members of the Budget Committee discussed how to reduce the BOE budget by $500,000.

Mr. Simon came up with a figure of $472,000 which achieves this goal by allocating back to the Town the administrative costs of BOE grants with the intent that going forward all grant related benefits should be paid from the grants. Mr. Gomeau said that this is what is done in most towns.

Mr. Simon arrived at the figure of $472,000 by taking roughly 14% of the amount spent per year with grants as the overhead amount to be charged this year. The Fund Balance would be raised accordingly. Mr. Simon said that between now and June a benefit overhead rate for grants should be calculated so that the BOE would have this calculation for the preparation of its 2006-07 budget.

Mr. Walko said that he preferred to directly reduce the BOE budget by $500,000 and said that he was not convinced that savings couldn’t be found in a $109 million budget. He said he was not confident we would reach $472,000 by taking a percentage for overhead. He said it would be more certain to just take the money out of the budget. He said that this way the process would also be more transparent. Ms. Burnett concurred with Mr. Walko on this.

After some discussion a consensus was arrived at to do it the way Mr. Simon proposed. Mr. Walko said that the Committee needed “to go forward unanimously.”

Upon a motion by Mr. Walko, seconded by Ms. Burnett, the members of the Budget Committee voted 4-0-0 to approve for recommendation to the full BET a General Fund budget of $325,175,377 for the fiscal year 2005 – 2006.

Budget Committee members then reviewed the draft of the Budget Message, making several changes.

Upon a motion by Larry Simon, seconded by Steve Walko, the members of the Budget Committee voted 4-0-0 to adjourn the meeting at 3:15 p.m.

Respectfully submitted,
Valeria P. Storms, Chairman