

# Town of Lunenburg



*Mark Erickson*  
3/5/15

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Finance Committee:  
Mark Erickson, Chairman  
Terri Burchfield, Vice-Chairman  
John Henshaw, Secretary  
Karin Menard  
Caroline Griffis  
Jay Simeone

## Lunenburg Finance Committee Minutes: February 24, 2015 Meeting

Location: Town Hall  
Present: Mark Erickson, Terri Burchfield, Karin Menard, Jay Simeone, John Henshaw  
Also Present: Jamie Toale--BOS Liaison, Kerry Speidel, Town Manager  
Absent: Caroline Griffis

1. Mark called the meeting to order at 7:00 pm.
2. Communications:
  - A. Public: None
  - B. Committee: Mark made four announcements:
    - i. The Public Access Cable Committee will have an open house Thursday, February 24<sup>th</sup> at 7:00 at TC Passios, room 11.
    - ii. The Planning Board will meet on Monday March 9 at 6:35 PM at Town Hall to amend, and correct language in a protective by law and map and to correct a numbering sequence error relative to marijuana dispensaries.
    - iii. The Association of Town Finance Committees has made their Finance Committee Handbook available on CD. Any committee member who would like to get one can contact Mark.
    - iv. Mark distributed the February, 2015 edition of *The Beacon*.
3. Town Manager Updates:
  - A. Projected Snow and Ice removal costs will exceed budget by more than \$200,000 in FY15 because of overtime and materials costs.
    - i. The Town can fund that overage from anticipated Free Cash next year. However, if the deficit exceeds \$300,000 then the Town would have to use Stabilization Funds to help fund the overage, which would be a much more difficult shortfall to manage.
    - ii. FEMA may help reimburse the Town for expenses as a result of the first storm and perhaps the subsequent three storms, but it will be at least a month before the Town knows the decision. But at this point we have to assume we are responsible for all expenses entailed
  - B. MGL, Chapter 44, §31D requires approval by the Finance Committee for deficit spending in the Snow and Ice Account.
    - i. Terri moved that the Finance Committee approve deficit spending in the Snow and Ice Removal Account and Karin seconded her motion. The committee approved the motion 5-0.
4. The Preliminary FY2016 budget, an overview: (Note: For specifics on the budget, refer to Kerry's presentation on the [Town Web site](#) or by watching her presentation on [You Tube](#).
  - A. Overview:
    - i. Revenues from all sources are projected to increase by \$1,149,553 or 3.41% over FY15, but are \$1,547,337 below aggregate budget requests for FY16—lower than original expectations.
    - ii. Revenues are based on best estimate of state department budget. Expenditures are the issue, with snow and ice a big concern, given the season so far. This means we will have less in free cash, which affects revenue.
    - iii. The Town Manager recommends funding for the Police, Fire, DPW, and school departments FY16 below their above target requested budgets and recommended service levels.

- iv. Recommendations of the Capital Planning Committee were implemented, but purchasing the Dump Truck and Street Sweeper by borrowing over three years.
- B. Context: Budgeting processes are all about allocating resources to provide services.
- i. Recurring revenues fund all operating costs.
  - ii. This preliminary budget is lower than the original FY16 targets in almost all cases except non-discretionary spending (e.g. debt service, insurances, retirement assessment—which is much higher than expected), and salary increases.
    - Note: This preliminary budget does not support an increase in service levels in any department.
  - iii. Debt service costs of non-exempt debt that does not have another funding source will rise in FY16 by \$130,073 to \$695,538—reducing available funds to cover operating expenses by that amount.
  - iv. Non-Discretionary expenses (debt service costs, insurances, retirement expenses, and cherry sheet charges) amount to \$9,441,871 or 27.59% of the FY16 budget.
    - The remaining 72% of the budget must absorb the deficit to targets.
- C. Uncertainties and Challenges:
- i. The State budget will be released a month later than usual, so the level of State Aid the Town will receive is uncertain for now. But it does not appear that there will be cuts in State Aid to cities and towns.
  - ii. The Town does not yet have the health insurance renewal figures.
  - iii. There is no assessment from Monty Tech yet, though there are seven more students from Lunenburg who will attend next school year; hence cost will increase.
  - iv. Because of the high deficit in the FY15 Snow and Ice account, Free Cash will not be available, either to supplement revenues from the tax levy or state aid nor to fund deficits in the Stabilization Fund.
  - v. Using Free Cash to pay the deficit will affect funding of capital projects in FY2016 as free cash has been a source of funds for capital purchases.
- D. Potential Opportunities:
- i. Depending on timing of the expansion of Tri-Town Landing and/or increases in new construction in FY16, there may be some additional revenue from new growth.
  - ii. The Town has applied to NEMA for assistance for meeting the expenses of snow and ice removal for the first storm and the three successive storms this past month. But Kerry does not expect any information on how much if any funds the Town will receive for at least a month, so for now we assume that there will be no reimbursement.
  - iii. The Town will apply for the Smart Growth 40S revenue. The Town received \$183,000 of 40S funds in FY15. If awarded again, this would be an unanticipated increase in revenues, earmarked for the schools.
- E. Town Manager Recommendations for future actions and concerns going forward:
- i. Review goals of the budget process:
    - To focus primarily on producing a balanced budget? Secondarily on service levels?
    - Or should the primary focus be on service levels and secondarily on the revenues requisite to support those service levels?
  - ii. The Town has an opportunity: A potential source for funding road maintenance is, as the Town pays off its non-exempt debt thus reduces debt service costs, we could divert that capacity that is within the budget to road maintenance and selective borrowing for necessary capital projects.
    - This opportunity exists to the extent that the Town is very scrupulous about incurring future non-exempt debt and the associated debt service costs.
  - iii. The five year average of snow and ice removal costs is just over \$350,000, compared to a budget ranging from \$250,000 to \$260,000, leading to consistent deficit spending ranging from \$100,000 to \$150,000 each year.
  - iv. There are likely some cost savings from getting more energy efficient street lights. But there would have to be a cost analysis on this.
  - v. To assess the pavement management program progress and determine requisite funding, the Board of Selectmen should set a Pavement Condition Index goal and evaluate roads periodically.
  - vi. Likely higher costs of Tuition Assessments and requires analysis to understand this better.

F. Actions being taken to improve processes:

- i. Implement risk management issues identified in our recent audit with a goal to reduce opportunities for fraud or theft—though this has not been a big problem. The credit rating agencies like to see the Town take actions to manage risk.
- ii. The Town Manager would manage processes and assure legal compliance and that the process incorporates best practices.
- iii. The Town Accountant will assume the role of Finance Director or Coordinator and would be responsible for resolving issues and implementing work process efficiencies, take a more active role with the Finance and Capital Planning Committees, and assist departments in preparing higher level budget and cost/benefit analyses.
- iv. Upgrading the position of Administrative Assistant to Executive Assistant-responsible for managing all licenses and board and committee appointments and managing the Board of Selectmen agenda packets and minutes.

5. Minutes of the January 22, 2015 Meeting: Terri made a motion to accept the minutes and Karin seconded her motion. The committee voted 5-0 to accept the minutes as submitted.

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6. Committee/Department Liaison Updates:

Committee/Department— Reported By:	Update:
Capital Planning--John H.	There is nothing further to report.
Public Works--John H.	John will meet with Jack R. on the DPW FY16 budget and presentation on Friday.
PACC--John H.	The PACC will meet on Wednesday, February 23 to review revenue and expenditures in FY15 YTD and to begin planning for FY16 budget.
Library--John H.	Martha Moore is back and is managing the library process of restoring services in the wake of the damages from the burst sprinkler pipe. Beginning Monday, March 2, the library will be open for short periods of time. The Library web site has specifics, and check back for updates.
Public Safety-Terry	Terri has been in touch with both Chief Marino and Chief Sullivan on their FY16 budget presentations.
Building Re-Use--Mark E.	The next meeting of this committee will be rescheduled and prospectively will take place on March 18.
School Building--Mark E.	<ul style="list-style-type: none"> <li>• There are temporary walls and heating in Building A; Steel work is essentially complete in Area B; Steel work continues in Area C, but has not started in Area D.</li> <li>• The inclement weather has set back progress by about two weeks, though the estimate is that this will be made up as long as we do not continue to have bad weather.</li> <li>• In Mid-April sometime after the last girder has been put in place, there will be a ceremony with the community to celebrate this milestone.</li> </ul>
Schools--Karin M.	<ul style="list-style-type: none"> <li>• The School Committee meets Wednesday, February 25<sup>th</sup>; they have not met since our last meeting.</li> </ul>
Monty Tech--Karin M.	There is nothing to report.
Council on Aging, Caroline	No report.

Sewer Commission—Jay S.	The Sewer Commission continues to work on their budget—and it looks like they will be able to put about \$70,000 back into their budget.
Green Community—Jay S.	<ul style="list-style-type: none"> <li>• The Green Community is working on projects to install LED lights for the parking lot in the Library and parking lot in the Public Safety Building. In addition they are beginning a project for LED lights in the Senior Center.</li> </ul>

7. Next Meetings:
  - A. Thursday, February 26—the Police and Fire Departments will present their FY16 budgets and explain the effect the budget would have on service levels.
  - B. March 5—the Library, Schools, and perhaps the Council on Aging budget presentations and effects on service levels.
  - C. March 12, Sewer Enterprise and DPW will present their budgets and effects service levels.
  
8. Adjournment: Karin moved to adjourn the meeting, her motion was seconded by Terri and approved 5-0. The meeting adjourned at 8:56 PM.

Respectfully submitted by John Henshaw March 2, 2015