

TOWN OF GROTON FINANCE COMMITTEE

MINUTES OF BUDGET REVIEW MEETING HELD 2/26/2011

Present: J. Prager (Chair), M. Flynn, S. Webber, R. Hargraves, J. Crowley, P. Dufresne (recording)

Absent: P.DiFranco, V.Jenkins

Guests: Representatives from the Board of Selectmen, Robert Whalen (General Manager GPGC), Chief Donald Palma (Police Department), Chief Joseph Bosselait and Deputy Chief Clarence Jefferson (Fire Department) Representatives from the Finance Team and Mark Haddad (Town Manager)

Documents Available: Fiscal Year 2012 Proposed Operating Budget, Town of Groton
Town Manager's Five Year Budget Projection

Mr. Prager called the meeting to order at 9:00 a.m.

The following FY2012 departmental budgets were reviewed:

Groton Pool & Golf Center – Mr. Prager noted that based on documents he had received from the Town Accountant, the GPGC expects to increase its revenue by approximately \$70,000 over last year. Mr. Whalen explained that the Events business will provide most of this boost to revenue through increased marketing efforts, cosmetic improvements and the hiring of an Events Manager. He clarified the process by which certain assumptions are made regarding the types and quantities of events that must be booked in order to reach the revenue goals projected. Based on the pro-forma he has developed, weddings are disproportionately profitable and he needs to book at least ten weddings during FY2012. He has half of that number already scheduled and feels confident, based on the positive response to recent advertising, that he will be able to meet this goal. There are some relatively minor expenses (\$5,000 to \$8,000) budgeted for cosmetic improvements such as curtains and lighting which will help to bring in event business. Mr. Prager expressed concern over the \$65,000 loss for calendar year 2010 reflected in the financial statements provided. Mr. Whalen clarified that the Golf and Pool business segments are consistently profitable, and he expects that Events will be marginally profitable. A large part of the loss from the previous year is related to the operations of Mulligans Snack Bar. He plans to explore development of a new business model for Mulligans for FY2012. Such a model may include closing the Pro Shop building and combining that operation with Mulligans. This will allow for significantly reduced staffing and somewhat fewer hours of operation. Mr. Whalen would also like to see the menu slimmed down a great deal. He believes that some form of snack bar is necessary at the Center because it does support league activity. He noted that the GPGC budget as it was originally submitted does not reflect these proposed changes to the business model. Mr. Whalen stressed that the revenues projected for FY2012 were based on a three year trend and are both reasonable and very conservative; however, he reminded the committee members that the most profitable business segments are also the most sensitive to weather-related fluctuations. The GPGC expense budget

reflects largely fixed - cost operations. Ms. Collins (Tax Collector/Treasurer) noted that a large part of the loss from last year could be attributable to non-recurring expenses such as refurbishing the reception hall, audit expenses and depreciation of assets. Mr. Prager agreed that those costs would be unlikely to recur in FY2012, however he felt that other unforeseen costs would occur instead.

The Finance Committee wondered what the impact to the Town budget would be for employee benefits for those GPGC staff members who are now under the Town umbrella. Mr. Haddad explained that there are only two full-time employees who are eligible for benefits, and currently neither one takes health insurance from the Town. The remaining staff members are either 1099 contractors or part-time seasonal employees who would be ineligible for benefits.

Mr. Prager asked Mr. Whalen to discuss his projection of \$125,000 for Golf revenue for FY12, given that revenue for that category was only \$103,000 in FY10. Mr. Whalen explained that \$125,000 was realized for golf revenue in 2009, which represented a relatively poor year. Last year golf revenues were unusually low due to the extremely hot weather and a relatively short season. Mr. Crowley suggested that the effect of hot weather could be mitigated by providing water on the course. Mr. Whalen agreed that there are several amenities that should be put into place (water, ball washers, etc.) that he has held off on due to uncertainties regarding the ability to generate revenue necessary to cover these expenses. The Finance Committee asked Mr. Whalen to clarify his plans regarding upgrading of the current fleet of golf carts. Mr. Whalen replied that the carts are in very poor condition, and he would advocate a 5-year lease program to address this issue, as purchasing new carts would be cost prohibitive (approximately \$2,500 per cart). Mr. Degen asked whether the option of using electric carts had been explored. Mr. Whalen replied that electric carts require an elaborate charging station which would involve start-up costs. Additionally, electric carts are of limited usefulness on particularly hilly courses such as Groton's. He added that GPGC currently has an excellent mechanic on staff who is able to keep the carts in good working order. The group briefly discussed utilizing a beverage cart to support revenue generation, but agreed that such a plan is not an immediate priority.

Mr. Flynn asked about the status of the tennis courts. Mr. Whalen replied that there is no plan to upgrade or maintain the current courts. They are used only for campers and are in extreme disrepair. The cost to re-surface the courts would not be justified (or likely recovered) due to the several other superior tennis courts available in Groton and the surrounding towns. He added that the outdoor heated pool is the asset that makes GPGC special, and this asset should be protected and developed.

Mr. Prager asked Mr. Whalen to provide both a best and worst case scenario budget for GPGC for FY2012. He would also like to see a delineation of those plans that must be put into place in order to deal with the more problematic issues at the Center. Mr. Whalen replied that this could be accomplished fairly quickly for Mulligans, however, best and worst scenarios may be difficult to determine for the other business segments. Mr. Prager suggested using the last rainy summer as a base line for the worst case budget. Mr. Hargraves agreed saying he believes that Mr. Whalen's expertise and insight into the operations of the Center would be very valuable to the Committee as it prepares to defend the GPGC at upcoming Town Meetings. Mr. Whalen would be pleased to have such support,

however he feels that the budget he submitted is sufficiently conservative in its revenue estimates and is absolutely accurate in expense projections. He worries that best/worst case budgets would be of limited usefulness at this time. Mr. Degen suggested creation of a short-term budget for the Center. He stressed the need to answer to the taxpayers and to have a plan in place in case of a revenue shortfall. Mr. Haddad said that it is too early in the season to worry about a revenue deficit. The Center is currently on track to meet its budget, and he assured the Committee that he and the Town Accountant and Treasurer thoroughly review the results of the GPGC on a monthly basis. He maintained that Mr. Whalen prepared the budget he was asked to prepare and that April would be soon enough to get a picture of how the Center is doing. Mr. Prager felt that given the history of losses for the Country Club, it would be appropriate to provide for a contingency plan in the budget. Ms. Collins cautioned the Committee that with the retirement of the debt service, it is not truly accurate to say that the Country Club endured a history of losses. They were in fact able to make a \$70,000 lease payment annually to the Town until very recently. Mr. Haddad reiterated that he did not want to put a contingency plan into place now; he advocated patience for the time being. Mr. Crowley agreed that it is premature to take a negative position, especially as most of the citizens at the last Town Meeting seemed supportive of continuing operations at the Country Club. Mr. Cunningham raised a point of order and asked that the next agenda item be addressed.

Police Department Budget - Chief Palma noted that the Department is currently at full-strength and is pleased to report that overtime expenses are trending down. He expects to see this trend continue, although it is too soon to estimate what the actual overtime savings will be. Previously overtime had been expensed to deal with staff vacancies, now it is spent on court cases and emergency situations. Chief Palma went on to say that he appreciates the generosity that the Town has shown to the Police Department over the last few years, and this has put the Department in the position of needing very little for FY2012. Mr. Prager asked whether the Chief historically spends all the minor capital included in his budget. Chief Palma replied saying that he tends to hold back a little to deal with unforeseen expenses that may happen late in the year. Mr. Haddad stressed that this was a level-funded and level-service budget. Mr. Cunningham asked whether the expected spike in fuel costs would impact this budget. Mr. Haddad replied that there was no plan in place to account for such a spike, and that a reserve fund transfer may have to be considered. Chief Palma said that he is comfortable at this point with the amount budgeted for fuel costs. He added that he does not foresee a problem with the vehicle maintenance costs as the Highway Department does a good job maintaining the Police Department fleet. He noted that this will be the last year that the Department will be purchasing Crown Vics as the manufacturer will no longer offer the police package. There are other smaller platforms available, but these will present “switch-over” costs (the cages and light bars will need to be re-sized, etc.). Both Ford and Dodge are offering good alternative packages which will be explored for next year.

Communication Budget - Mr. Haddad drew the Committee’s attention to the fact that the FY12 budget had been reduced by \$10,000 due to a reduction in part-time wage hours. Chief Palma mentioned that Groton participates in a successful regional dispatch program. This is something of a rarity in Massachusetts, and saves on expenses while also supporting the Governor’s initiative to regionalize services. Additionally, use of this structure has helped to bring in almost \$1,000,000 in grant money

over the last four years. Mr. Prager wondered whether it would be appropriate to ask Dunstable to increase its share of funding for this program. Mr. Haddad thought that it would be difficult to make such a request in the face of all the grant money that Groton has received. Mr. Hargraves agreed saying that he believes that Dunstable is satisfied with the situation as it is, and everyone seems to be reaping a benefit. Chief Palma noted that while Dunstable had briefly considered joining a much larger regionalized dispatch program, they apparently realized that as one of the smaller towns to be included, they would likely receive a much smaller share of the resources as well.

Fire Department Budget- Mr. Haddad noted that the FY2012 budget included a \$26,000 increase which is made up of a \$10,000 increase in minor capital and \$16,000 of step increases for wages. Chief Bosselait explained that the increase to minor capital was to cover the cost of replacing those radios that are not compliant with the new “narrow-band frequency” mandate. The cost of each radio to be replaced is between \$700 and \$1,000 and this must be accomplished for 2012 licensing. Mike Flynn wondered whether there was any Homeland Security funding available. Chief Bosselait believes that there is no more funding available from that source, however, he is hoping to be awarded a grant in the amount of \$150,000 to replace the Department’s air packs. He reminded the Committee that Groton had received the largest grant ever awarded to a Massachusetts Fire Department for training. He attributes some of this success to Ms. Daly’s expertise as a grant-writer. Chief Bosselait noted that the Department is very proud of the attitude and drive exhibited by its firefighters and encourages them to work toward the highest standards of competency.

Mr. Prager asked whether it is the opinion of the Fire Chief that the current building on Station Ave could be refurbished or expanded to be able to handle larger trucks. Chief Bosselait replied that the current Firehouse could not be expanded to handle larger equipment. It is a brick and mortar building and the entire structure would have to be taken down and rebuilt to new specifications. The doors cannot be replaced or made larger and the bays cannot be expanded. Mr. Haddad noted that the 2002 study had estimated that \$1,300,000 would be required simply to bring the building up to code without any attempt at expansion. Chief Bosselait explained the importance to the taxpayers of maintaining a good ISO rating through meeting minimum standards for fire emergency response. The merger of the Fire and EMS programs happened after the 2002 study, therefore the impact of getting responders back and forth through Main Street traffic is not even addressed there. An efficient emergency response system requires that all equipment be available at the same site. The response model has changed and the requirements of the taxpayers have changed. The proposed location at 279 Main Street is a site that affords double access (Main Street and West Street). This larger size of this site makes it possible to build a structure with four double bays. The current site could not accommodate a building of that size. He urged the Committee members who had not already done so to view the video that the Town Manager had provided which graphically displays the limitations of the current structure. Another attractive feature of this plan is that the current building can be retained to house the equipment until the new structure is in place. Tearing down and rebuilding the Firehouse on its current site would leave the equipment exposed during the construction period.

Mr. Haddad offered to explain his plan for funding the new fire station. The Board of Selectmen and the Finance Committee members were divided on whether this discussion should take place at a subsequent meeting when more time could be devoted to it and it would be officially on the agenda. Mr. Haddad felt it was important to have a plan in place as this topic was undoubtedly going to come up at the Special Town Meeting. Mr. Prager said he would like to discuss the issue now, as it is the duty of the Finance Committee to provide advice on such matters to Town Meeting. He added that the new fire station was not currently on the capital plan. Mr. Haddad agreed that the capital plan should be amended to include this item. The Committee agreed that building a new fire station had historically been part of the Town's finance plans, and it had even been part of the planning committee's agenda. The topic had "fallen off the radar" several years ago. Now that a site is available, it has re-surfaced as a meaningful project, although the newer citizens in Town may have been taken by surprise.

Mr. Prager said that now that he had heard from the Fire Chief, he is convinced of the need to replace the fire station in the near future. Mr. Webber wondered what the timeline for presenting this project at Town Meeting would look like. Mr. Haddad thought that a review committee could spend the next six months developing the project. They would come to Fall Town Meeting with a financial request to meet architectural needs. A full presentation of the project could then be made at the next Annual Town Meeting in the spring. Mr. Flynn said that since the \$5,000,000 figure has been made public, it is necessary for someone to speak to this (i.e. is it accurate and how will the Town fund it). The group discussed zoning of the property at 279 Main Street. Mr. Haddad said that the Town Planner was confident that the ZBA could grant the relief needed to build the fire station. He offered to research the potential zoning problems in order to be able to address questions that may come up at the Special Town Meeting. Chief Bosselait noted that there are structural problems that have been recently noted at the current fire station. These problems may have been exacerbated by the unusually harsh winter conditions.

Chief Bosselait informed the Finance Committee that the price of the new ambulance is going to be \$245,000 instead of \$200,000. He is confident that this is a good price as all the vendors participating returned bids that were within a few thousand dollars of each other. He added that there is still a sufficient balance available in the Ambulance Receipts Fund to handle the higher than expected price. Mr. Haddad explained that there is currently \$700,000 in the fund, and \$200,000 is typically added annually. Therefore, even after withdrawing funds necessary to meet Fiscal 2012 needs, there will still be more than enough to purchase another ambulance in five years time. Chief Bosselait explained that his Deputy, Mr. Jefferson, has explored different ways in which they can make the most out of the equipment that they have. To trade in an old ambulance would realize only \$5,000 at most. Instead, a plan is in place to retain the better of the two current vehicles as the backup ambulance. The other one can be converted for use as a forestry vehicle. The need for such a vehicle was made obvious last summer when the intense heat spurred many brush fires. With such a recycling plan in place, there will be no need to spend \$108,000 for a forestry truck in three years. Instead we can amend the Annual Town Meeting Capital Budget to add the much smaller amount of \$25,000 to rehab the forestry truck. Mr. Haddad stressed that this option prevents any additions to the fleet of Town vehicles.

Authorization for Deficit Spending - Mr. Haddad informed the Finance Committee that snow and ice spending for FY2011 had reached the budgetary limit. As it is only February, it would seem prudent to vote to allow deficit spending for snow and ice in the event that additional storms occur.

Mr. Webber moved and Mr. Flynn seconded the authorization for deficit spending to meet snow and ice needs for the remainder of FY2011. The motion passed by unanimous vote.

Plan for Funding of New Fire Station – Mr. Haddad distributed a five-year budget projection that he had prepared. He explained that because the school assessments had come in lower than anticipated, this resulted in a surplus of \$404,046 for FY2012. There is a risk in that the schools do not yet have their final Group Insurance Commission figures, and that the Chapter 70 figures are based on the Governor's budget which may yet be amended. However, the GIC estimate is a reasonable one, and the Governor would have to cut greater than 5% before it would impact this funding plan. Mr. Haddad went on to say that the capital budget needs for FY2012 would be raised and appropriated, in order to level-fund the budget. The amount of the land purchase would be put back into the Stabilization Fund. The debt service on \$5,000,000 would be approximately \$385,000 per year (level service) assuming 4.5% interest. Because the debt service for the wastewater management plan is now completed, this amount can be absorbed into the budget within the tax levy limits. This year the capital budget will be raised and appropriated, and next year capital stabilization funds will be used. Mr. Dillon noted that this plan precludes the money being spent on something else. Of course, this plan holds the schools to a 2.5% increase every year.

Mr. Hargraves moved and Mr. Prager seconded approval of the minutes of February 15, 2011. The motion passed by unanimous vote.

Next meetings: 2/28/2011, 7:00PM Special Town Meeting – Middle School
 3/01/2011, 7:00 PM First Floor Meeting Room Town Hall

Respectfully submitted,

Patricia Dufresne, Business Manager Water & Sewer Departments, Recording