

TOWN OF GROTON FINANCE COMMITTEE

Minutes of Regular Meeting Held February 11th, 2014

173 Main St., Groton Town Hall, 7:00 p.m.

Selectmen's Meeting Room

Present for Finance Committee: R. Hargraves, S. Webber, G. Green, D. Manugian, J. Prager (Chair), Joe Crowley, B. Robertson, P. DuFresne (Town Accountant, Recording)

Absent: None

Guests: Mr. Mark Haddad (Town Manager), Mr. Mike Hartnett (Town Tax Collector/Treasurer), Ms. Anna Eliot (Selectwoman), Mr. Jack Petropoulos (Selectman), Members of the Library Trustees, Ms. Vanessa Abraham (Library Director), Mr. Tom Delaney (DPW Director), Stewart Schulman (Selectman) , Josh Degen (Selectman), Members of the Press, Members of Town of Groton IT Department

Documents available at the meeting: FY2015 Proposed Town Budget
Town Manager's Proposed Budget Cut Proposal
Finance Committee Budget Cut Proposals
GDRSD & Municipal Spending Analysis by Mr. Prager

Mr. Prager called the meeting to order at 7:01 p.m.

Mr. Prager informed the committee members that the agenda for the evening was to analyze the municipal budget and search for ways to ameliorate the school district budget crisis. The Finance Committee and the Town Manager have all submitted their proposals for cutting the operating budget. While he does not expect to resolve the matter in one evening, it is necessary to begin the discussion so as to come to some agreement as soon as possible.

Mr. Haddad thanked the Finance Committee for their participation in the exercise, but he cautioned that some of the cuts proposed may not have a direct impact on the operating budget. He specifically mentioned cuts to the Pool & Golf Center and to the Capital Budget. He feels that cuts to the GP&GC have a neutral effect as local receipt revenue is lost should the facility be closed. Mr. Prager disagreed saying that the significant yearly subsidy of capital improvement funding cannot be ignored. Mr. Haddad replied that the capital budget is not funded through the operating budget but from the Capital Stabilization Fund which is replenished from Free Cash. Mr. Prager agreed but noted that Free Cash is in large part derived from operational budget turn-backs and is ultimately a cost to the taxpayers. He estimates that the Town would save about \$100,000 in FY15 by closing the GP&GC, and about \$70,000 every year thereafter.

Mr. Haddad said that the most commonly proposed budget cuts included opting out of the Mosquito Control Program, canceling the opening of Sargisson Beach, and not filling the vacant Human Resource position. The School District has presented a level-service budget and assessed the Town of Groton \$1,968,277 and the Town of Dunstable \$674,579 for FY15. These should be considered maximum assessment figures as the school committee may still make its own cuts. Mr. Haddad explained that the Town of Groton can readily fund almost \$800,000 of the increased assessment through funds currently available in the budget (\$377,975 already set aside for the GDRSD assessment, and \$402,424 from Unexpended Tax Capacity). If the Town votes to exclude the debt for the Center Fire Station, that would add another \$448,000 that could be taxed without cutting municipal services and without voting for an override of Proposition 2 ½. These adjustments would increase the average tax bill by about \$428 (an estimated tax rate of \$18.45). The next step would be to cut those areas of new spending that would not adversely impact services provided to residents. Mr. Haddad suggested cutting the Mosquito Control Program (73,000), Health Insurance (32,000), the proposed new Dispatch officer (44,000), and Sargisson Beach funding (36,000). These cuts would yield another \$185,000 that could be used to meet the school district assessment. The Town would be left with a largely level service budget (with the exception of 15 hours of additional accounting support at the Police Department and 13 additional hours at the Library). Mr. Webber mentioned that if we ask the school district to cut services then the Town should be prepared to do so as well. Mr. Haddad reminded the group that \$500,000 of the school assessment is earmarked to re-build their depleted E&D Fund, which could possibly be deferred. He stressed the importance of fully funding the Police and Fire budgets as this was an important budgetary goal for FY15. He also cautioned against cutting the Finance Committee's Reserve Fund; as budgets shrink additional pressure is placed on Town reserves. Mr. Prager countered that if the Police and Fire budgets are truly fully funded, there should be no need to carry a large Reserve Fund balance. Mr. Haddad said that unspent reserves can be turned back to Free Cash at year end and subsequently used to fund Capital Stabilization.

Mr. Hargraves asked about the budget for the Middlesex Retirement Assessment. Mr. Hartnett explained that this line is funded at the full amount each year, however if cash flow is deemed sufficient, the assessment is pre-paid to take advantage of the discount offered (approximately \$32,000). This discount is typically used to fund budget line item transfers at year end or else flows back to Free Cash.

Mr. Prager suggested changing the status of the Human Resource Director position from full-time to part-time. Mr. Webber agreed saying that the Personnel Board might be willing to volunteer some time in this capacity. Mr. Haddad explained his plan to divide the HR duties among several current employees. While this is workable, it will result in some inconsistency in performance and it will require the Town to pay a stipend to those employees required to do the work. Mr. Haddad went on to say that it will be especially disappointing to cut this position as the search committee has received resumes from several excellent candidates. Mr. Robertson mentioned that cuts made to the operating budget this year will be difficult to bring back in future years. Mr. Haddad agreed that once line items are removed, they are not often restored unless a new revenue source is found. He mentioned that those departments and boards that are in danger of losing staff members have emphatically expressed their concern. The operational budget

is already very lean; the Town has consolidated functions over the years making these staff cuts problematic.

Mr. Prager reiterated his belief that closing the Pool & Golf Center would go a long way toward resolving the Town's budget problems. The capital leases alone could fund an HR Director. In addition, the DPW is often called upon to expend its own resources on that building; these resources could be put to better use supporting other Town functions. Mr. Green observed that even though the Pool & Golf Center has yet to adopt a viable business model, it more or less breaks even at year end. Mr. Prager replied that this is only true if capital spending is excluded from the analysis. Mr. Haddad reminded the group that Town residents tend to support the Pool & Golf Center at Town Meetings. Mr. Robertson replied that most residents are voting in favor of "high visibility" items in Town. They may not understand the true impact of a particular government function in relation to the entire budget. He added that closing that facility properly would involve costs as well. Mr. Robertson wondered whether it would be possible to eliminate the General Manager and allow the golf pro to manage the GP&GC. Mr. Degen reminded the group that this solution had been tried in the past without success. Mr. Schulman said that he had participated on a committee several years ago that was tasked with determining the future of the Pool & Golf Center. That committee had spent a great deal of time researching many of the questions that are being asked today. In the end, none of the available alternatives were attractive, and a decision was made to keep the facility open while searching for ways to make it accessible to more residents. Mr. Hargraves and Mr. Green would like to see the business model adjusted to make the facility available free of charge to all residents. Mr. Prager countered that the Town simply cannot afford to operate that facility as a community resource. Mr. Degen noted that the pool is consistently profitable, while golf operations are not. Perhaps the golf business could be eliminated. There are plenty of public golf courses available in surrounding towns for residents who want to play (who number less than 3% of the current population). It makes little sense to undermine the professional services offered by Town Hall staff in order to subsidize what is a losing business. Given the current budget climate, Town Meeting may not be as supportive of the Pool & Golf Center as in previous years.

Mr. Prager urged the group to consider the growth trend charts he created. Exclusive of debt, municipal spending is growing about 5.5% per year, while school spending is growing at approximately 3% per year. If the school growth is normalized for enrollment, the trend is 4.5% per year. Most of the growth on both sides is in the salary and wage category, and neither can be considered "slow growth." However, if the Town has been growing at 5.5% per year, it should be possible to slow that down now. Mr. Hargraves mentioned that the Town Manager should work carefully with the Department Heads to keep overtime expenses under control. Mr. Prager said that we have been trying to get an understanding of how overtime is spent for years now; if we fully fund Police and Fire wages, we might have a better picture of that at the end of FY15.

Mr. Manugian mentioned that arriving at a sustainable school budget will be difficult if the growth consistently comes in over the 2.5% that the Town can afford to set by. He expressed concern that this will be a struggle year after year. He asked to see a copy of the Police and Fire Department labor union contracts in order to get a better understanding of the Town's contractual obligations as well as an

understanding of how shifts are structured and filled (or missed) in each department. Mr. Prager agreed that a significant sum of money could be saved if shift coverage at overtime rates was reduced. Mr. Webber said this could be solved by cutting a firefighter position; if a full timer is not available to take an overtime shift, it can be offered to a call member at straight time. Mr. Hargraves also felt it might be useful to cut back on spending for travel and conferences; perhaps a start could be made by consolidating these expenses into the Town Manager's budget. In response to a question from Mr. Green, Mr. Haddad explained the procedure for approving Performance Incentive increases. While the Department Heads perform the evaluations and recommend the increases, it is up to Town Meeting to ultimately fund these increases. Mr. Webber added that as this particular budget problem is a long-term operational issue, the solution that makes the most sense is the Proposition 2 ½ override.

Mr. Haddad offered to create a spreadsheet summarizing all the suggested budget adjustments from each Finance Committee member. This can then be analyzed to determine the points of agreement. The group agreed to meet again on Saturday at 9:00 a.m. to review this information. A second meeting on Tuesday, February 18th at 7:00 p.m. will be held jointly with the School Committee and the Boards of Selectmen and Finance Committees from both Dunstable and Groton.

Approval of Meeting Minutes – On a motion made by Mr. Green and seconded by Mr. Manugian, the Finance Committee voted unanimously to approve the regular meeting minutes of February 1st, 2014 as drafted. The Vote: 7-0-0

Mr. Prager officially adjourned the meeting at 8:20 p.m.

Respectfully submitted,

Patricia Dufresne, Recording Secretary