

## Minutes

**Town of Norwich**  
**Finance Committee Meeting**  
Tuesday, June 17, 2008  
*Tracy Hall, Norwich, Vermont*

*Members present:* Karen Kayen (Chair), Alvin Converse, Stephen Flanders (Secretary), Stephen Lajoie, Cheryl Lindberg (arrived 1610)

*Members absent:*

*Also Present:* Gerard Chapdelaine (Select Board Chair); Neil Fulton (Fire Chief), Sarah Nunan (Select Board Member), Roberta Robinson (Finance Officer), Steve Soares (Town Manager), Ann Sargent

Chairperson Kayen called the meeting to order at 4:02 PM

### Agenda Items Discussed

#### **1. Review/Approval of Minutes:**

- a. *Minutes of Meeting of May 20, 2008* – Converse moved and Lajoie seconded that the minutes of the meeting of May 20, 2008 be approved. The vote was unanimous in favor (Kayen, Converse, Flanders and Lajoie).

#### **2. Old Business:**

- a. *Town Budget Suggested Guidelines* – (Discussed after 3a.)  
Kayen introduced the topic as an opportunity to provide the Select Board with some guidance to aid in its formulation of the town budget
  - *Discussion Paper* – Flanders presented a discussion paper, entitled “Draft Recommended Budgetary Policy.” He highlighted the approach that towns in Massachusetts and Connecticut have made, applying percentage limits to budget increases (or decreases) as guidance. The proposed scope of his paper included both the town and school operating and capital budgets. The time available permitted covering operating budgets, as applied to both the town and school.
  - *Control of Labor Costs* – Flanders’s main points were: Since labor is the dominant cost component in both budgets, it is the key area

for cost containment. He proposed that each department identify both “austere” and “complete” levels of staffing for the services that they render, as tied to an appropriate index of usership for each department. He also recommended tying wages and benefits to those found for the equivalent job descriptions in the region. Such data are published for both Vermont (according to Soares) and New Hampshire (according to Fulton). He suggested tying any programmed wage increases to the congressionally determined salary increases for federal employees. Flanders stressed that these principles should be adopted prior to the negotiation of the next labor contract.

- *Other Discussion Points* – Flanders advocated departmentally published “best practices.” Converse expressed concern about how best practices would be determined, bearing in mind that current practices have been developed from experience. Flanders suggested that it’s appropriate to continue learning about new practices and evaluate their applicability. Concern was voiced that the proposed concepts may be too complicated to be developed, using currently available staffing capacity, and would be difficult to implement immediately.. Flanders advocated that the cost-index approach for labor and purchased goods and services were feasible for implementation in the next budget cycle.
- *Percentage-Based Guidelines* – The discussion turned to whether a percentage-based guideline could be proposed for the upcoming fiscal budget. Lajoie noted that private industry often asks for budgets from departments that adhere to a percentage target, compared with the previous year. The Chief Financial Executive then makes decisions among the draft budgets, based on corporate priorities. Fulton emphasized that a town priority is the highway system, which has not been maintained to the level recommended in a 2007 engineering study, owing both to budgetary constraints and increased costs. He emphasized that such deferred maintenance can lead to much higher costs downstream, i.e. road replacement versus maintenance and repair. Discussion revolved around the merits of favoring highway maintenance at the expense of other departments versus allowing all departments to budget to one guideline, but allowing a higher increase in DPW for highways. Fulton cited *Engineering News Record* as a source for an applicable index for DPW. The committee decided that it was

not ready to propose a percentage-based increase.

**Action:** Flanders to report on indices that might apply to budgeting; e.g. CPI-U (NE) 2007-2008 history, and the *ENR* construction index.

- *Needs-based budgeting* – Kayen and Lindberg emphasized that they have been unsuccessful at receiving justification for departmental line items in past budget cycles. Soares reported that the departmental activities are reported monthly and could form the basis for characterizing the justification for line-item costs. Flanders suggested that committee members might review the monthly report to see whether they could form the basis for a summary report and budget justification.

**Action:** Flanders and Lajoie to review the departmental reports.

- *Estimating Next Fiscal Year's Fuel Expenses* – Converse suggested that the town should re-assess vehicle and building fuel usage for the next budget, given the rapid increase in fuel prices. There may need to be a new town vote to allow expenditures on fuel at new, higher levels. The November 4<sup>th</sup> town vote on the bandstand could provide an opportunity for the town to authorize spending adjustments.

**Action:** Town departments are encouraged to re-estimate the impact of fuel costs and recommend whether a new town warrant is needed for increased expenditures.

- *Working Session Proposed* – Nunan said that she appreciated the items under discussion and felt that they could provide a productive basis for Select Board deliberations. She proposed a joint working session for 4:30-6:00 on July 9, prior to the regularly scheduled Select Board meeting. The committee members endorsed this suggestion.

**Action:** Kayen to coordinate a joint session with the Select Board.

**Action:** Kayen to schedule further discussion on town budget guidelines for 8 July.

### 3. New Business:

- a. *Review and discussion of R&E report* – (Discussed after 1a. to accommodate Robinson’s schedule) Robinson presented a memo, dated 16 June 2008, titled “May 1, 2008 Revenue & Expenditure Report with Year-End Projections
- *Expenditures* – Robinson’s report projects that the administration, Tracy Hall, Conservation Commission and Support Group Expenditures are expected to be over budget. The Police and Fire Departments will be under budget, primarily due to unfilled positions. She projected that the town spending at \$3.895M will be ca. \$44K under budget.
  - *Income* – Robinson reported \$4.004M in revenues for the year. The revenue projections for the year have been met. Subtracting projected expenditures from the projected income yields a projected increase in the Fund Balance of \$109K.
  - *Encumbrances* – Robinson addressed questions regarding encumbrances. There are none expected. Flanders recommended that the Town Manager specify a timeline for expenditures and contractual obligations for the town departments to adhere to and report on at the end of the fiscal year that allow an orderly close-out of the town books.
- Action:** Soares to consider composing a memo template that will inform departments of a year-end schedule for making purchases and contracts that would create encumbrances at the end of the fiscal year.
- *Reporting Unspent Grant Income* – Robinson reported that the town has received FEMA funding for the Kendall Station Road project, which will be expended next fiscal year. The funding will be applied to storms that caused unusual damage. Robinson will ask Sheila Valley (the outside CPA auditor) for an opinion on how to represent this carry-over of funds received in the end-of fiscal year report.
  - *Other Details* – Robinson reported that delinquent taxes will be addressed at the end of the year. Fulton reminded the committee that this year’s grand list was \$679M; next FY’s grand list is estimated to be \$700M. Norwich Senior Housing pays a PILOT (payment in lieu of taxes), which goes into the overall number. The

new tax rate may drop because of increase in the grand list. Robinson explained that current use payments and interest income are two items that are difficult to project at budget time. Better figures come in July. Fulton explained that Grand List and Undesignated Fund Balance are the two key items. Soares explained that \$70K of budget expense requires \$0.01 per mil of tax income.

- b. *Norwich School Budget Suggested Guidelines* – With limited time remaining, the discussion turned to school budget guidelines. Kayen wondered whether the school committee had a budget committee, which would define guidelines for the Norwich School budget.
- Kayen reported that past practice has been for the Norwich School Committee to set its budget and guidelines only after the Dresden and Hanover committees have met and set theirs, whereupon Norwich often follows suit.
  - Lindberg, Flanders and Lajoie reported having attended a meeting of the Dresden Budget Committee. They discussed the potential use of indices to address Dresden School District budget policy and recommended that Dresden Finance Committee (DFC) members Flanders and Garrity investigate several indices, including the core inflation, the CPI(U) and the cost index for higher education and report their information to the DFC and then back to the Dresden Budget Committee.
  - Kayen proposed to contact the Norwich School Board to identify how the NFC can contribute to their budget development process.

**Action:** Kayen to contact Norwich School Board to discuss potential budget guidelines.

**Action:** Kayen to schedule further discussion on school budget guidelines for 8 July.

#### 4. **Other New Business:**

- a. *Dresden Ad-Hoc Building Committee Meeting* – Fulton reported that SAU 70 Superintendent Gersen recently convened an ad-hoc building committee meeting to address how to employ the \$4-M surplus from building the new Dresden school facilities.

- *Proposed Building Expenditures* – Fulton explained that the committee is the same one that originally addressed scope changes to keep the project within the bonded budget. It identified \$2.9M in unfunded features that could and, in its view, should be funded. This leaves \$1.1M that could be applied to other expenditures, relating to the funding of the construction.
  - *Potential Tax Rate Cushion* – Fulton reported that one use for the remaining \$1.1-M surplus may offset the potential future step increase in the tax rate when the Dartmouth payments end. He reported that Assistant Superintendent Aubin has some ideas on how this would work. In addition, former NFC member Thomae has a concept that would ramp up the use of unspent Vermont Construction Funds to offset that increase. It appears possible to limit any increase to about \$0.03-\$0.04 per mil.
- b. *Information on outside grants* – Robinson reported that the outside accountant reported that grant accounting could employ separate funds in future accounting cycles. If the grant weren't received, the appropriated funds can be parked for future years. Lindberg requested an explanation of how one handles different grant funding arrangements, e.g. matching funds or when funds are received up front or when the town portion is appropriated, but the grant portion is not received. Robinson suggested that she could broaden her inquiry to include these cases

**Action:** Robinson encouraged to investigate how to address accounting for various types of grant funding, in cases where the grant funds are received in advance, billed upon expenditure, matched and budgeted for, but not received.

## **5. Adjournment:**

Converse moved and Lindberg seconded that the committee adjourn. The vote was unanimous. Adjourned at 5:55 pm.

**Next meeting date:** Tuesday, July 8, 2008 at 4:00 PM in Tracy Hall