

Minutes

Town of Norwich Finance Committee Meeting Tuesday, December 16, 2008 Tracy Hall, Norwich, Vermont

Members present: Alvin Converse (Chair), Stephen Lajoie (Vice-Chair), Stephen Flanders (Secretary), Karen Kayen, Cheryl Lindberg, and Fred Crawford

Members absent: None

Also Present: Henry Scheier, Terry Boone, John Aubin (SAU 70 Assistant Superintendent for Business), Gerard Chapdelaine (Chair, Norwich Select Board), Peter Webster (Town Manager) and Roberta Robinson (Finance Officer), Neil Fulton, Dennis Kaufman

Chairperson Converse called the meeting to order at 4:31 PM

Agenda Items Discussed

1. Review/Approval of Minutes

- Minutes of Meeting of November 18, 2008.

Motion: Lajoie moved and Crawford seconded that the minutes be accepted.

- The motion passed unanimously.

2. Public Input:

- *“Town eating day”*—Boone and Scheier discussed “Town Eating Day,” a working title for a town event on 28 February 2009 that allows citizen boards the opportunity to discuss their work and engage in recruitment of new members. Boone emphasized the event is an opportunity to talk about what the NFC does and its plans. Discussion of warrant issues in the breakout session is inappropriate and will be actively discouraged by a session leader. Also, it’s important for participants to remember that members of the public don’t share the same level of expertise, so the discussion should reflect that understanding. The NFC requested an 11-AM slot for its breakout session.

3. Reports:

- *Budget Status*—Robinson discussed the status of current revenues and expenditures. She reported that there might be some revenue shortfalls in the current fiscal year, e.g. police revenues, building permits, and recording of deeds. She plans to report in greater detail in January after the second quarter is complete. Currently, expenditures are on target for the 46% expended half way through the fiscal year.

- *Network Security*—In reference to the previous topic on accepting credit cards for property tax payments and offering electronic ACH tax payments and an e-mail sent by Robinson on 26 November, titled “Sandwich loses nearly \$50k to hacker,” Lajoie reported on personal research about the alternative payment issue and defense against hackers. He mentioned *NetClarity* as a company that provides better firewall capability for banks and other institutions. He noted that a family member has a financial interest in that company. Fulton says that the town IT manager has budgeted upgrading the town’s firewall. Lajoie provided *NetClarity* literature to Robinson.

4. New Business:

- *Allocation of Vermont Construction Aid Funds*—John Aubin discussed five different scenarios for application of Vermont Construction aid funds. He passed out a handout, showing variations for the 2009-10 year. Some highlights are:
 - **Assumptions:** All scenarios assume a 5.1% *decrease* in the Marion Cross School budget and a 14.2% *increase* in the Dresden assessment. Offsetting each of these budgets is the “Revenues and Fund Balance” line item. The base assumption is the \$544,500 first-year offset, recommended by Irv Thomae. In each scenario this offset is diminished by \$50K from the scenario proposed, as of 16 December. All scenarios assume a CLA¹ of 98.5%. Aubin noted that projecting CLA is an important, but difficult issue. All scenarios employ a payout of the Dresden capital surplus of \$1.2M, using \$800K in 2009-10, \$200K in 2010-11, and the balance in successive 2011-2012.
 - **Scenarios:** The following table summarizes the scenarios in Aubin’s handout. Note that in each case the non-residential tax rate increase would be 1.80%.

Deduction	VCA Aid fund	Tax Increase
Base Scenario	\$544,500	2.02%
-\$50K	\$494,500	2.58%
-\$100K	\$444,500	3.14%
-\$150K	\$394,500	3.70%
-\$200K	\$344,500	4.27%

Table 1. Application of Vermont Construction Aid funds and the resulting school tax increase for the 2009-10 school year.

¹ Common Level of Assessment: The Common Level of Assessment or CLA represents the percentage of value that assessments in town are currently at. As the years after a re-appraisal pass the CLA will typically drop below 100 percent.

- **Teachers' contract:** The Norwich teachers' contract runs through spring of 2009. Aubin was hoping for a settlement by the budget meeting. Converse would like to see out-year projections.
- **Request:** Converse asked Aubin to supply similar data for out years at his next briefing of the NFC.
- *Norwich Town Budget Guidelines* — Converse invited Scheier and Webster to further discuss the NFC budgetary guidelines of 3%, voted on 8 July 2008, which he re-read. Noting a memo to the NFC that he had written (Appendix A), Converse reported that the November CPI is now at 1.7%. He also referred the committee to Henry Scheier's e-mail (Appendix B), questioning the NFC guidelines set in July. Scheier suggested that the committee consider whether the guideline was still appropriate, noting the downturn in the national economy and commentary in the news media.
 - **Town draft budget:** Robinson circulated a draft budget, titled "DRAFT 3 FY10 Budget 12-15-08 Version. XLS" prior to the meeting, to which she alluded in the meeting. The expenditure summary for all departments from this spreadsheet is shown in Appendix C. According to the cited draft budget, the town expenditures on regularly recurring expenses for all its departments would *increase* by 1.88%, while the other monetary expenditures would *decrease* by 30.6% because certain large non-recurring monetary articles won't occur next year, leaving a total *decrease* in the budget of 0.79%. Webster reported that this budget derives from a directive of the select board, and has been reworked to result in an estimated tax rate cut of 5.1%, with a undesignated fund balance (UFB)² of 13%.
 - **New health plan proposed:** Webster explained that his budget savings are due, in part, to a proposed switchover to a new "high-deductible" health plan (HDHP), sponsored by the Vermont League of Cities and Towns (VLCT) in place of the current plan. To provide incentives for employees to change plans, Webster has offered employees for the town to fully fund the premiums and deductibles through calendar year 2009. In calendar year 2010 and beyond, the town would pay for half of the deductibles. The current plan for calendar year

² The undesignated fund balance (UFB) is the balance of funds held in a town's account that represent the accumulated difference between income and expenditures for which there are no budgeted plans for appropriation.

2009 would cost \$328K fully funded by the town, whereas the new plan costs \$285K, as described. There's a health-savings plan available toward the deductible. This plan will require setting up a "cafeteria plan." Webster recommended that the town offer a 3% general increase in wages and salaries, including the scheduled COLA to avoid a "take-back" in health benefits, which would be a disincentive to employees to switch.

Action: Converse to seek copies of the plan for NFC members.

- **Other considerations:** Fulton reported that, in developing the initial draft budget, he removed the 2% performance incentive fund. He explained that unions are interested in having CPI imbedded in their contract. However, he cautioned that, for developing budgets, the CPI is a poor indicator of municipality goods and services, which include labor. He recommends municipal cost index—December to December.

Motion: Flanders moved and Kayen seconded that the NFC endorse the approach that the town manager and his staff has taken in preparing the town budget and recommend its adoption by the select board.

- The motion passed unanimously.
 - **UFB:** The NFC then discussed setting the undesignated fund balance. Fulton advocated maintaining a high UFB to help level off the tax rate in difficult times. He explained that the Norwich Select Board policy is to maintain the UFB between eight and fifteen percent. Robinson and Lajoie advocated using less of the UFB than proposed by Webster. Scheier emphasized that the discussion of the UDFB should wait until June, when the tax rate is set.

Motion: Kayen moved and Lindberg seconded that the UDFB not go below 14%. Discussion Lajoie advocated not creating incorrect tax rate expectations, regarding the fund balance. The motion was withdrawn.

Action: Converse noted that the scheduled end time for the meeting had come and obtained the committee's agreement that the NFC should reconvene on Tuesday, 6 January 2009 at 4:30 PM.

5. Old Business: (The following items were not discussed, owing to the length of the meeting.)

- *Coverage of Norwich School Board Budget meetings*—Converse.
 - **Jan. 8, 7 PM Presentation to the Board:** .
 - **Jan. 15, 7 PM Review by the Board:** .
 - **Jan. 22, 7 PM Adoption:** .
- *Coverage of Norwich Town Budget meetings*—Converse.

- **Jan. 14, 6:30 PM First hearing:** .
- **Jan. 21, 6:30 PM Second hearing:** .
- **Jan. 28, 6:30 PM Adoption:** .

- *All-day Kindergarten* —Lajoie.

6. New Business: (The following items were not discussed, owing to the length of the meeting.)

- *Discussion of school compensation statistics* —Flanders and Kayen :

7. Other New Business: Matters arising after publication of the agenda—none was discussed.

8. Adjournment

Motion: Lindberg moved and Flanders seconded that the committee adjourn. The vote was unanimous. Adjourned at 5:56 pm.

Next meeting dates: Tuesday, January 6, 2009 at 4:30 PM in Tracy Hall.
Tuesday, January 20, 2009 at 4:30 PM in Tracy Hall.

APPENDIX A:

Memo to the Finance Committee

Subject: Town Budget

12-14-08

I hope that the following observations about the Town budget will help our discussion this Tuesday at 4:30.

The general economic conditions in the country differ greatly from last summer when the guideline of a 3% maximum increase was recommended. Unlike the school tax system there is no consideration of the tax payer's income when collecting Town taxes, and we are obliged, in consideration the conditions faced by the tax payer, to manage our expenses carefully.

The Town expenditure budget (Draft 3, 11-25-08) shows:

1) a "Town Total" increase in expenditures of 3.79% (\$148,863) of \$4,074,133 total and

2) a "Total" increase in expenditures of 0.97 % (\$ 41,308) of \$ 4,318,374 total.

The difference is due to the fact that "Other Monetary articles" are included in the "Total" but not the "Town Total". "Other Monetary articles" has decreased this year because two items (Fire Dept. Vehicle Exhaust System. and Affordable Housing) totaling \$ 119,062 were included in the 2009 budget but not the 2010 budget.

The cost of medical insurance for employees and their families increased by 22% this year and currently accounts for \$328,000 in the budget. The Town Manager is looking into the possibility of changing the current arrangement so that the employees would contribute a portion of the health benefit costs. This change might save the town \$30,000 to \$40,000. I note that such a change would distribute the savings among all employees where as elimination of positions places all the burden on one. [Based on my notes taken on 12-10-08.]

The Town manager has also pointed out that the Undesignated Fund Balance (UFB) is estimated to contain \$718,293 as of June 30, 2009, and that a portion of this could be used to reduce the tax rate. (Handout from the Finance Dept. 12-10-08) This is 16.6% of the "Total" expenditure budget, slightly above the upper limited (??) of the amount recommended in our financial policy.

Energy expenses have not been re-estimated since the fall in oil prices but there is uncertainty about future oil prices. Since we are bound not to exceed the expenditure budget it may be decided to retain the present estimates with the expectation that it would be possible to add to the UFB at the end of the period.

The Consumer Price Index (CPI) is falling (-0.9% in Oct. alone) after having increased during most of this year (+4% Oct 07 to Oct 08). Because of the cost-of-living adjustment in the contract, this increase makes it difficult to reduce wages in this budget, but the expected decline will likely affect wage estimates in the next budget. (Social Security is granting a 5.8% increase beginning in Jan. 09)

Last year the Town expenditure budget (including monetary articles) increased, budget-to-budget, 6.81% (\$272,810) causing the tax rate to increase 4.40%. .

I've tried to provide some information without opinion; hopefully it will help our discussion of the guidelines on Tuesday. Please let us all know if any of this is incorrect.

Al Converse

APPENDIX B:

> From: Alvin O. Converse...
> Date: 06 Dec 2008 21:32:26 -0500
> To [Distribution List]
> Subject: Norwich Guidelines

> All,

> The following is an exchange of emails with Henry Scheier that I believe we should discuss at our next meeting, Dec16, 4:30PM

> Al

> Al-

....

> If the Finance Committee had the privilege of hindsight, would it still recommend a 3% budget increase for the Town for next year? Apparently the Selectboard (per minutes), in a recent meeting, responded to a suggestion by Roberta to reduce the proposed budget further by saying that the FC had recommended a 3% increase. I have no doubt that that was done when the economy didn't look quite so gloomy. Will the FC reconsider? I saw a recent letter in the Valley News that was quite critical of towns and schools seemingly ignoring what's going on all around them this year?

....

> Henry

> Henry,

> Thank you for raising this matter. With your permission I would like to share your letter with the full finance committee. I now plan to put the matter on the agenda for our meeting of Dec. 16 at 4:30 PM and hope that you will be able to attend. It would be helpful know more facts about the local situation. Dennis tells me that the economic decline does not yet show up in the prices of the houses that have been sold, but it may show up in the time required to bring about a sale. In thinking about the problem I think it may be worse next year, and therefore don't want to reduce budgets this year only to have them increase more next year.

> Please let me know if I have your permission to share your letter with the full finance committee.

> Al

> You certainly do. Please keep in mind that what you are working on IS for next year....Henry

