

# Minutes

## **Town of Norwich Finance Committee Meeting Thursday, May 19, 2009 Tracy Hall, Norwich, Vermont**

*Members present:* Stephen Lajoie (Chair), Stephen Flanders (Secretary), Keith Moran, Ann Sargent (arrived 4:37 PM)

*Members absent:* Cheryl A. Lindberg (Vice Chair), Dan Weintraub, Unfilled position

*Also Present:* Roberta Robinson (Finance Officer), Phil Dechert (Zoning Administrator/Planning Coordinator)

Chairperson Lajoie called the meeting to order at 4:35 PM.

### Agenda Items Discussed

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

Lajoie reviewed the agenda. No changes were offered.

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

Lajoie reviewed the minutes of the meeting of April 21, 2009. No corrections were offered.

**Motion:** Moran moved and Sargent seconded that the minutes be accepted as presented.

**The motion passed unanimously.**

#### **3. Public Comments:**

No members of the public volunteered a comment.

#### **4. Financial Report:**

Referring to her "April Budget Status" memo (Appendix A), Robinson reported:

- *Town revenues* – Norwich should receive its full share of the state gas tax revenue (\$142K, \$5K short of the budgeted figure); the Norwich School District will receive an additional \$173K, as a result of final reckoning of previously unreported residential property. Every fiscal year, the state assumes that all properties are "non-residential" until receipt of a HS-122 reporting the status of the property.
- *Town Expenses* – The memo shows total projected expenses for the fiscal year to be about 96% of the \$4.3-M town budget. Removing grants and other un-expended, obligated funds, the projection is for expenditure of approximately 99.8% of the \$4.1-M town's operating budget.

Robinson discussed the "Summary Budget Status Report and Projections as of 5/19/09" (Appendix B):

- *Grant revenue reporting* – She highlighted the fact that grants in the town budget skew the bottom line. She advocated having separate funds for grants. Matching funds in such funds would last indefinitely, until applied to the incoming grant money.
- *Unrestricted Fund Balance* – The report suggests that the net increase in Unrestricted Fund Balance (UFB), owing to greater revenues than expenses in the current fiscal year, will be \$\$122K. The report suggests \$80K as the portion of the UFB to be applied to setting the new town property tax rate.

**Motion:** Flanders moved and Sargent seconded that the NFC endorse the outside auditors' recommendation to have one or more designated funds for tracking and spending grant monies and town matching monies.

**The motion passed unanimously.**

**Action:** Lajoie to inform the Town Manager and the Selectboard on the NFC recommendation.

#### **5. Status – Applications for Stimulus Money:**

Robinson explained that Highway Administrator, Andy Hodgdon, has applied for stimulus package funds to repave Route 132 from the Union Village Road to the town line. A discussion ensued whether the matching funds from Norwich (\$30-60K) would be the best use of funds, versus other projects in town. This is the only known example of stimulus funds applied for by the town. The grant funds constrain these funds to be applied to state highways, according to certain criteria.

#### **6. Town of Norwich Financial Policies:**

Robinson distributed a copy of the Town of Norwich Financial Management Policy to cover the following topics:

- *Financial Management* – The NFC received a copy of the "Town of Norwich Financial Management Policy." The document highlights procedures for purchasing, general financial policies and procedures, Norwich Selectboard financial policy, and has appendices with a model contract and various forms.
- *Expense Form* – This was included in the items that Robinson distributed.
- *Mileage Form* – This was included in the items that Robinson distributed.

The NFC members present were satisfied that appropriate checks and balances were in place.

#### **7. Methodology to Set Budgetary Guidelines:**

Flanders reported that the NFC subcommittee on Budget Guidelines Methodology (Dan Weintraub, Keith Moran and Flanders) has met and offered a technical specification as an approach to this topic. This would be the basis for data mining and compilation of spreadsheets that provide the information and analysis on which

to formulate budget guidelines. The DRAFT methodology is summarized in Appendix C.

Flanders asked for the NFC's go-ahead for the subcommittee to continue its work to provide a DRAFT data-supported methodology for the June meeting. Lajoie suggested using "capped adjusted gross income" as one of the measures of ability to pay, since it would avoid reflecting the income of extremely wealthy individuals, which would skew the results for those of moderate income. Flanders offered to provide both adjusted gross income and capped adjusted gross income.

After further discussion, the NFC members encouraged the subcommittee to continue its work.

**Action:** NFC subcommittee on Budget Guidelines Methodology (Dan Weintraub, Keith Moran and Flanders) to work to provide a DRAFT data-supported methodology for the June meeting.

## 8. Future Agenda Items:

The following items remain on the docket from previous meetings.

- *Building & Grounds (B&G) assessment to Norwich School District*—An assessment is being made to Norwich through the Dresden School District for B&G services that are being provided by the SAU 70 personnel and assets

**Action:** Lindberg to draft letter for Aubin from NFC to be discussed at the next NFC meeting.

- *A capital assets management and investment plan*—The Selectboard is interesting in a methodology for establishing both functional and economic obsolescence.

**Action:** NFC to follow Selectboard activities on this topic.

- *Modification of budgets to show total salaries and total benefits*—What is the burdened cost of each position? What's the total impact of each position?

**Action:** None required for now.

- *Long range budget forecast & Norwich taxpayer capacity to pay*—Incorporated in the guidelines methodology.

**Action:** None required for now.

- *Current spending recommendations*—Discuss whether the current economic crisis suggests the need for austere spending within the current budget.

**Action:** Weintraub to lead discussion in an upcoming meeting.

## 9. Other Topics:

The following other topics were discussed.

- *Draft Open Meeting Policy*—Dechert handed out a Draft Norwich Open Meeting Policy and asked for comments from each board.

## 10. Pending Items:

None discussed.

**11. Next Regular Meeting:**

Next meeting date: Tuesday, June 16, 2009 at 4:30 PM in Tracy Hall.

**12. Adjournment**

**Motion:** Flanders moved and Moran seconded that the committee adjourn.

**The vote was unanimous.** Adjourned at 6:20 PM.

**Upcoming meeting dates (4:30 PM in Tracy Hall):**

Tuesday, June 16, 2009

Tuesday, July 21, 2009

Tuesday, August 18, 2009

Tuesday, September 15, 2009

## Appendix A: April Budget Status

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### INTRAOFFICE MEMORANDUM

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**TO:** PETER WEBSTER, TOWN MANAGER, SELECTBOARD AND FINANCE COMMITTEE, AND DEPARTMENT HEADS

**FROM:** ROBERTA ROBINSON, FINANCE OFFICER

**SUBJECT:** APRIL BUDGET STATUS

**DATE:** 9/15/09

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REVENUE: THE BIG NEWS FOR THE APRIL REPORT CONCERNS REVENUE. THE LEGISLATURE VOTED TO PAY MUNICIPALITIES AT THE FULL RATE FOR THE 4<sup>TH</sup> QUARTER PAYMENT OF GAS TAX REVENUE. WE HAVE RECEIVED THE MONIES AND THE FINAL YTD FIGURE FOR GAS TAX REVENUE IS \$ 142,360 WHICH IS SHORT OF THE BUDGET BY \$ 5,640.

THE FINAL TRUE UP FOR THE SCHOOL PROPERTY TAX RESULTED IN THE TOWN RECEIVING AN ADDITIONAL \$ 172,782.91 IN PROPERTY TAX REVENUE. THE SCHOOL DISTRICT IS NOW RECEIVING \$172,782.91 FROM THE STATE OF VERMONT RATHER THAN FROM THE SCHOOL PROPERTY TAX. THIS IS THE NET RESULT OF AN UNDERPAYMENT OF HOMESTEAD TAX AND THE OVERPAYMENT OF NON-RESIDENT TAX. THE CHANGE IS DUE TO THE CHANGE IN RESIDENTIAL STATUS (LATE FILED HS-122'S) FROM WHEN THE TAX RATE IS SET WITH THE PRELIMINARY GRAND LIST, TO THE FINAL GRAND LIST SENT TO THE STATE IN DECEMBER.

EXPENSES: TOTAL TOWN EXPENDITURES (WITHOUT APPROPRIATIONS) ARE CURRENTLY AT 81.67% WHICH IS SLIGHTLY LESS THAN 83.3% FOR 10 MONTHS.

HEALTH INSURANCE IS CURRENT MEANING WE HAVE NOT PAID FOR FUTURE MONTHS. SOLID WASTE SHOWS ONLY BILLS RECEIVED AND PAID THROUGH FEBRUARY.

PROJECTED EXPENSES ARE NOW AT \$ 4,122,341 OR 96.38% OF THE BUDGET OF \$4,277,066.

PAGE 15 OF THE EXPENDITURE REPORT ILLUSTRATES THE STATUS OF THE OPERATING BUDGET WHEN ANTICIPATED AND UNANTICIPATED GRANTS ARE REMOVED FROM THE EQUATION AS WELL AS MONIES ADDED IN FOR KENDALL STATION ROAD AND SUBTRACTED FOR THE AFFORDABLE HOUSING FUND THAT WAS VOTED TO BE KEPT. THE FINAL BUDGET FIGURE BECOMES \$ 4,105,652 AND THE FINAL EXPENDITURE FIGURE BECOMES \$ 4,099,031. THIS PROJECTED EXPENDITURE IS WITHIN \$ 6,621 OF THE BUDGET OR IS 99.84%.

I HAVE ALSO ATTACHED A DESIGNATED FUNDS REPORT FOR YOUR INFORMATION.

DELINQUENT TAXES ARE NOW \$ 150,254.17.

DEPARTMENT HEADS WILL STILL GET NEMRC REPORTS FOR THEIR REVIEW.

IF YOU HAVE ANY QUESTIONS AND OR COMMENTS, PLEASE FEEL FREE TO CONTACT ME.

## Appendix B: Summary Budget Status Report and Projections as of 5/19/09

| TOWN OF NORWICH   |                     |                      |               |                     |               |                   |
|---|---------------------|----------------------|---------------|---------------------|---------------|-------------------|
| SUMMARY BUDGET STATUS REPORT AND PROJECTIONS AS OF 5/19/2009                                |                     |                      |               |                     |               |                   |
| DEPARTMENT SUMMARY  | 08-09 Budget        | 5/19/09 Expenditures | % Spent       | Projected 6/30/2009 | % Spent       | +/-               |
| TOWN ADMINISTRATION   | \$ 223,303          | \$ 211,501           | 94.71%        | \$ 229,871          | 102.94%       | \$ (6,568)        |
| BCA/BOA   | 1,269               | 973                  | 76.67%        | 979                 |               | 290               |
| STATUTORY MEETINGS  | 7,385               | 6,171                | 83.56%        | 6,251               | 84.64%        | 1,134             |
| TOWN CLERK  | 116,789             | 100,075              | 85.69%        | 114,370             | 97.93%        | 2,419             |
| AUDIT   | 17,675              | 17,484               | 98.92%        | 17,484              | 98.92%        | 191               |
| FINANCE   | 78,451              | 67,615               | 86.19%        | 75,527              | 96.27%        | 2,924             |
| GENERAL ADMINISTRATION  | 8,622               | 8,874                | 102.92%       | 10,734              | 124.50%       | (2,112)           |
| LISTER  | 121,152             | 103,467              | 85.40%        | 121,973             | 100.68%       | (821)             |
| PLANNING  | 92,611              | 79,879               | 86.25%        | 94,033              | 101.54%       | (1,422)           |
| DEVELOPMENT REVIEW BOARD  | 2,138               | 459                  | 21.47%        | 750                 | 35.08%        | 1,388             |
| RECREATION  | 177,239             | 142,236              | 80.25%        | 176,777             | 99.74%        | 462               |
| TRACY HALL  | 92,056              | 90,502               | 98.31%        | 96,348              | 104.66%       | (4,292)           |
| POLICE  | 499,751             | 443,233              | 88.69%        | 486,487             | 97.35%        | 13,264            |
| FIRE/FAST   | 408,883             | 336,042              | 82.19%        | 379,397             | 92.79%        | 29,486            |
| EMERGENCY MGMT.   | 18,400              | 18,091               | 98.32%        | 18,900              | 102.72%       | (500)             |
| TREE WARDEN   | 12,000              | 17,084               | 142.37%       | 17,084              | 142.37%       | (5,084)           |
| PUBLIC WORKS - SOLID WASTE  | 133,848             | 117,634              | 87.89%        | 149,205             | 111.47%       | (15,357)          |
| CONSERVATION COMMISSION   | 8,500               | 866                  | 10.19%        | 3,450               | 40.59%        | 5,050             |
| PUBLIC WORKS  | 1,570,131           | 1,337,930            | 85.21%        | 1,476,832           | 94.06%        | 93,299            |
| LONG TERM DEBT  | 126,277             | 126,277              | 100.00%       | 126,277             | 100.00%       | -                 |
| TOWN APPROPRIATIONS   | 4,000               | 2,240                | 56.00%        | 3,735               | 93.38%        | 265               |
| TAXES   | 64,500              | 61,825               | 95.85%        | 61,825              | 95.85%        | 2,675             |
| UNEMPLOY & WKMN COMP  | 51,936              | 56,362               | 108.52%       | 57,727              | 111.15%       | (5,791)           |
| SUPPORT GROUPS  | 80,369              | 79,701               | 99.17%        | 79,701              | 99.17%        | 668               |
| AMBULANCE   | 80,251              | 78,725               | 98.10%        | 79,191              | 98.68%        | 1,060             |
| OTHER MONETARY  | 279,530             | 203,421              | 72.77%        | 232,734             | 83.26%        | 46,796            |
| <b>TOTAL</b>  | <b>\$ 4,277,066</b> | <b>\$ 3,708,667</b>  | <b>86.71%</b> | <b>\$ 4,117,642</b> | <b>96.27%</b> | <b>\$ 159,424</b> |
| Plus- Kendall Station Road Money  | \$ 28,382           |                      |               |                     |               |                   |
| Less-DPW Grant  | 153,000             |                      |               |                     |               |                   |
| Less-Affordable Housing   | 46,796              |                      |               |                     |               |                   |
| Less- Unbudgeted Grants Spent   |                     | 16,981               |               | 23,310              |               |                   |
| <b>Total Operating Budget</b>   | <b>\$ 4,105,652</b> | <b>\$ 3,691,686</b>  | <b>89.92%</b> | <b>\$ 4,094,332</b> | <b>99.72%</b> | <b>\$ 11,320</b>  |
| Unrestricted Fund Balance   | June 30, 2008       | \$ 798,293           |               |                     |               |                   |
| Plus Projected Revenue  |                     | \$ 4,239,315         |               |                     |               |                   |
| Less Projected Expense  |                     | \$ 4,117,642         |               |                     |               |                   |
| Estimated Unrestricted Fund Balance   | June 30, 2009       | \$ 919,966           |               |                     |               |                   |
| Increase in Unrestricted Fund Balance   | June 30, 2009       | \$ 121,673           |               |                     |               |                   |
| Amount of Unrestricted Fund Balance budgeted to be used at the time of setting the tax rate |                     | \$ 80,000            |               |                     |               |                   |

## **Appendix C: (DRAFT) Budget Guidelines Methodology for Norwich, Vermont**

### **Summary**

This DRAFT guidelines methodology is intended only to be a starting point in the lengthy process of setting guidelines and formulating a budget. Because the town government and school districts are independent of each other and have very different business models, analogous but separate budget guideline methodologies apply to each.

These budget guideline principles are based on two facets, affordability and cost-effectiveness. Affordability is based on assessing whether growth in the proposed budget may outpace growth in either the value of town property or growth in the income of town residents. Cost-effectiveness is based on whether the town government or school district use best practices, as compared with the costs per unit of service of towns and school districts with similar standards.

Regarding affordability, the process tracks and makes projections of trends for: past budgets, Norwich property values, and Norwich community adjusted gross income (AGI). The core principle is to identify whether the town and school budgets grow faster than the increases in property values or AGI. A constant ratio of budget to property values or AGI indicates constant affordability. In addition, there is a process to forecast a trial budget, based on cost-increase multipliers for the town and school, if current levels of service were maintained. The trial budget is compared with the long-term trends to see whether it tracks.

Regarding cost-effectiveness, the process picks comparable towns and compares level of service, staffing levels and compensation levels to develop indices of: 1) cost per unit of service, 2) staffing per unit of service and, in the case of the school, 3) NECAP scores per unit of input. Such indices for cost-effectiveness should be considered like an “idiot light” on a car’s dashboard to prompt looking further into a possible issue, when appropriate, not as a verdict on the results being measured.