

**Meeting Date:** February 17, 2010

**Called to Order:** 6:01 PM

**Finance Committee Members Present:** John Hanold, Andrew Killeen, Marge Levenson and Lynn Reynolds

**Montague Selectmen Present:** Pat Allen, Patricia Pruitt and Mark Fairbrother

**Others Present:** Frank Abbondanzio (Town Administrator), Carolyn Olsen (Town Accountant), Bob Trombley (WPCF Superintendent), Jon Dobosz (Parks & Recreation Director)

### **Minutes**

FC Moved: To approve the minutes of February 10, 2010.

Vote: 4 In Favor 0 Opposed 0 Abstained

BOS Moved: To approve the minutes of February 10, 2010.

Vote: 3 In Favor 0 Opposed 0 Abstained

### **Franklin Hampshire Municipal Conference**

Mr. Hanold handed out information on this meeting to be held on March 27, 2010.

### **GASB 45**

The first quote for this was \$9,000. Brief discussion of whether this appropriation should be in the operating budget or in a Special Article. Mr. Hanold suggested putting it the Shared Cost budget in whatever year it appears. Ms. Reynolds supported this. Ms. Levenson likes it as a Special Article. Ms. Levenson said streamlining the Town Meeting Warrant may make things simpler for the Finance Committee. However, making our work simpler is not how the Town Meeting process is supposed to work. Town Meeting exists so people can participate in decision making, especially when decisions are made by town boards. The topic is to be considered at the end of the meeting.

### **Budget Hearing WPCF**

The following questions were submitted to Mr. Trombley and answered via e-mail prior to the meeting.

1. Debt & Benefits: These were covered by the Treasurer in an earlier hearing. We need not cover them again unless you have something you'd like to raise. There are no issues.
2. DPW Subsidiary: The reason for this dept. was covered by the DPW Superintendent. Spending seems generally to be well below budget so continued budgeting of \$54 K appears both to "fire-proof" the sewer rates and to provide for truly serious events. Is there any reason to expect a change in the next year? There is one item for consideration, the identification and correction of structures that allow leaks, Inflow & Infiltration (I/I), into the Town sewer system. We performed one repair to a manhole in Millers Falls, \$2,082, to stop an estimated 4,400 gallons per day (\$1,445/yr) of infiltration. I know Tom has his staff remove catch basins from the sanitary system as they are found but

given the amount of I/I , Town surcharge \$\$ and the state of the economy a more aggressive effort may be a good idea.

3. WPCF Core: The **Accomplishments** and **Service Plan** sheets are quite helpful in presenting the WPCF operating environment. Some of the effects on budgeting are clear from the **Change** explanations, but cost reduction appears to depend on completion of Combined Sewer Overflow (CSO) follow-on tasks. How confident are you that schedules will be met, and results achieved (i.e., is the FY11 budget cautious or optimistic)? The FY11 budget is cautious. Should the upcoming bid for the solids handling upgrade allow us to move forward with construction then we expect to see more savings still in line item 5280, Solid Waste Disposal. Should we be unable to perform the upgrade as the result of a bid value greater than available funds then the budget line item as presented should be adequate given the process changes made at the plant.
4. WPCF Core: The FY11 Service Plan mentions energy conservation measures, and clearly utilities are a significant expense for the Treatment Plant. We imagine spending varies by treatment volume rather than weather or season – yet half-way through FY10 only about a quarter of the budget has been spent, and the FY11 budget is planned to be flat. Does plant operation, through incorporation of the CSO project or other causes, still require this level of spending? Spending varies by the strength of the raw influent into the facility. We are a small Town with large town loading issues. Due to the high use industries such as Southworth, Con-Agra and Australis the loadings change frequently in strength and frequency i.e. off on holidays and weekends then back up on line. Also now that we are handling higher hydraulic loadings as a result of the CSO project we expect some increase in power consumption. At the time you looked at the number for energy keep in mind we had not spent any \$\$ on heating oil, we have since had a delivery and the bill goes to the Town this week.
5. WPCF Core: A lower request for Solid Waste Disposal, and under-spending through December 2009, seem to fit the Service Plan and public expectations of the CSO project. Is this disposal service already under contract, or is the cost likely to fall farther? The existing disposal contract is through the Franklin County Solids Waste District and continues to 30 June 2011. The cost will be affected by the change in the form of the solids hauled away. Should we perform the solids handling upgrade and be on schedule then we would cease hauling thickened sludge (5% solids) and begin hauling sludge cake (35%) solids by December 2010. Due to the increase in % solids and decrease in water hauled there should be a drop in total cost to dispose of our biosolids.
6. WPCF Core: Accounts 5246 and 5441 (including their sub-accounts) are labeled identically and both are spent at only 30% of budget or so, through half-year. What distinguishes them, and are the items “plannable” or “on demand, as-required?” The 5246 items are for outside services repair and maintenance, the 5441 items are for supplies and parts involved with the respective systems. I budget based on three factors: 1. 3 year average, 2. Identified items known or expected and needing to be done & 3. Associated experience, gut level sense of risk. Some items are plannable and some are a

surprise/as required. Given that there isn't any true reserve account for unforeseen circumstances item 3 does add a level of \$ appropriation to the line items. I look at the 3 year average to ask whether projections are reasonable.

7. WPCF Core: Two new lines (Intermediate Pump Equipment) have appeared. Does this require \$20 K annually to repair/maintain and operate? Intermediate pumping as noted are two line items separated out of the two primary treatment line items. I did this as the system was new 8 - 10 years ago and is now aging. There are a number of items needing attention due to age and the \$20,000 is my start estimate to address these items and not necessarily an annual estimate. The original system was installed in 1982 and replaced in kind 2000 - 2002, 20 years of service. We are about 1/2 way into the expected service life of the replaced system. For a sense of scale, just the barrel, internal lift screw pump off the shelf is about \$75,000, we have 2.

Other items noted or discussed were:

- Mr. Trombley spoke about the impact on cost of the Combined Sewer Overflow project which is a process to get more storm water into the plant rather than risking overflows into the river during heavy storms. There are impacts on the plant, such as increases of between 5-6 million gallons of water a day during the storm events. The more gallons coming into the plant, the more expensive it is to move it into the facility and treat it.
- The EPA's criteria are that the plant captures 85% of the flow going into the river.
- Of all towns in Massachusetts working on this, we're the only one not working under a consent order. Consent orders are official notices that you aren't meeting requirements, and that you are subject to fines. Mr. Trombley gave a history of water quality improvements and new requirements. The latest effort is to reduce the number of combined sewer overflows.
- There is a distinction between Combined Sewer projects and Treatment Plant upgrades. In our case the plant is almost 20 years old and needs upgrades but there's no grant money for that. But there is grant money for CSO projects, which include some of these necessary upgrades.
- Within 2 weeks a STAG grant of \$970,000 will be awarded to Montague. This will be applied to solids handling upgrades to produce a brownie-like consistency sludge at the end of the process, which will further reduce solid waste handling costs because we won't be paying to haul as much water. Other benefits should include, less odors, better process control, more effective operations; Montague may eventually be able to take sludge from other towns to treat for revenue.
- Mr. Hanold asked, if we assume bids come in within budget, when would the town see the benefit of this? The earliest would be December of 2010; the latest would be February of 2011.
- Mr. Killeen noted that the 3% reduced and level funded budgets are the same amounts. Mr. Trombley replied that he always develops a real cost operational budget for what is needed. Given that the town has 3 substantial industries, any changes in their activity have a significant impact on the budget; he tries to take this into account

when budgeting. The flip side is that any unexpended funds or unexpected revenues go into Retained Earnings, which can be used to reduce the next year's sewer rates.

- Discussion of requirement for Retained Earnings being used only to reduce user rates. Mr. Trombley reviewed the history. Mr. Hanold suggested pursuing a way to create a large reserve fund for future needs rather than have all surplus go to reduce user fees.
- Mr. Trombley reviewed some other innovations they are trying at the plant to further conserve energy and reduce costs. Ms. Pruitt said that Mr. Trombley has done a fabulous job not only with the CSO project, but also in being inventive and encouraging his staff to be inventive.

### **Budget Hearing Miscellaneous Departments**

The following questions were submitted to Mr. Abbondanzio and answered via e-mail prior to the meeting.

1. Intergovernmental 840: We now have most final COG assessments; when is Solid Waste likely to come, and is there any later estimate of its size? Our understanding is that the assessments in this dept. are not variable by "services requested" – we are either IN or OUT of the Council on Governments. Is that correct? The most recent FY 2011 budget numbers for the FRCOG and FCSWMD differ slightly from the numbers you are carrying. I just received the FRCOG numbers last week. Our total FRCOG assessment for FY 2011 will be \$48,494. This is comprised of a **Statutory Assessment** (\$17,324) – used to fund Montague's share of retirees costs – Franklin County Retirement Board unfunded liability; and a **Regional Services Assessment** (\$31,170) – used to fund FRCOG admin, advocacy, regional projects and to leverage state and federal grants. The total assessment for us will increase by \$78 or .002%. The FRCOG kept the overall Regional Services Assessment level funded for FY 2011, but our individual assessment went up slightly because our equalized valuation per capita numbers increased proportionately more. The Franklin County Solid Waste Management District assessment number will also be higher (\$17,859 not \$17,570). However, if the member towns in the district vote to accept Leverett into the District, our assessment will be \$17,173. We won't know until the towns have their town meetings.
2. General Insurance 946: Your budget assumptions used a 10% increase as the placeholder; what new information or forecast is there today? (We recognize that line-item detail is not very useful; that the TOTAL is sorted out in the course of negotiations.) I still don't have a budget number for general insurances yet. I've provided the insurance runs to the MIIA group and hope to hear back from them by sometime next week. Their preliminary review suggests that they may be able to save us some money over the current vendor's quote, which already represents a savings for most insurance categories.
3. Legal 151: We understand that Labor-related expenditures are likely to cluster in the last half of the year; will the contracts be for more than one year? Please forecast for us if the balance of Labor/Non-Labor will shift enough to finish FY10 within budget (relates to possible Reserve Fund demands). Our legal budget is already in trouble this year. I will

provide specifics at the meeting. The Railroad Salvage case, alone, had cost us about \$20,000 just through December. This is in addition to about \$28,000 in cost since July 2008. I will be going to Town Meeting in April for an appropriation. We've done well on all other cases. Yes, the labor relations part of this has just begun and will continue through the end of the fiscal year. Even if we settle with all the unions for next year, we have a monthly retainer fee of \$625 to cover contract administration (labor opinions, grievances etc) for Sullivan & Hayes. The positive thing is that we may be at the end of the Railroad Salvage legal expenses. As far as FY 2011 goes, we don't have any other big cases currently in the hopper, but there's no way of predicting what litigation will move forward before the year is out. Obviously, if we do get an expanded caseload, it may be difficult to live with a budget cut. This is a potential problem every year.

4. Legal 151: Can the likely combination of Strathmore/RR Salvage/Other Property cases in FY11 be pursued within the flat budget figure (let alone the 3% cut), or is pressure from Legal costs on the Reserve Fund likely to be greater? The budget request does not allow much for larger legal cases. We will be asking for additional money for the FY10 Legal Budget at the next Special Town Meeting.
5. Shared Costs 159: May we assume this department request fully reflects the BOS choice of Virtual Town Hall for Website Maintenance? Yes, the current Shared Cost Computer Budget under the level services budget reflects the BOS choice of Virtual Town hall.(Barbara Miller)
6. Shared Costs 159: We assume the lack of identified computer purchases here means any purchases will be requested via a Special Article? How many are likely, and what is the likely effect on services/efficiency if purchases are not made? Yes, a Special Article Request has been submitted for \$8,200 for information technology equipment, parts, accessories, software and installations, and is therefore not identified in the Shared Computer Budget. The intent is to replace old workstations before they crash thereby reducing potential down time. The number being replaced will be dependent upon current pricing and how much of the article has been needed throughout the year for parts, accessories, and software. I hope to replace a minimum of three workstations per year. There are workstations in town hall that are n excess of five years old. These workstations have slow response times causing lower productivity and much frustration to the user. If a workstation crashes the productivity is reduced to zero for a prolonged period until a replacement can be purchased and installed. (Barbara Miller)
7. Shared Costs 159: The alternative of a 3% cut shows a reduction in Postage Meter and Website Maintenance; how will Maintenance be reduced without loss of functionality? Website maintenance can not be reduced without a complete loss of functionality but all items on the shared computer budget are fixed cost items. I believe part of the purpose of the Shared Cost budget was to use it for fixed cost items that serve most or all of town departments, thereby creating a separate budget that could effectively be removed from the budget cutting process. (Barbara Miller)

8. Shared Costs 159: What would be done for Postage under this alternative that would not be done under the level-services request? Postage Meter Rental includes lease payments of \$912 and maintenance agreement payments of \$621. The balance is used for buying tapes, seals, ink, etc. If the budget is cut, it may require a reserve fund transfer if the cost of ink or other supplies rises.(Patricia Dion)
9. Utilities 190: Six-month data for FY10, town-wide, shows **lower** spending for Electricity/Oil/Propane than the same period in FY09 – in both dollars and per-cent of budget. (The percent-of-budget figure is affected by the FY10 budget being somewhat higher than FY09.) Some of this is probably due to moving a heavy elec. user (Dispatch) and 24/7 function (Public Safety) from Town Hall to a more efficient building, weather may influence the results, and building occupancy was not uniform for these periods. When will quotes or other supplier data enable a more refined estimate? I did ask the departments to budget for level funding of utility costs. Current budget (as of February 1, 2010) for these items seems to indicate that this will be OK, but I would feel more comfortable if we had a small cushion (5 %???). Same is true of gasoline and diesel costs in the police department. I will try to discuss this with Matt Cadran in the Highway Dept. before tomorrow night.
10. Utilities 190: Will effects of ESCO contracting appear in FY11? Since savings are to be offset by debt/supplier repayment, will this “pairing” appear in department 190 or in different places? They have identified about 125k of work. Town hall could see savings fairly quickly with work being done in FY11. The Town is obligated to set savings aside to pay down debt service.

Other items noted or discussed were:

- Ms. Miller’s only comment is that she thought a major reason for the shared budget was to exempt these items from budget cuts because they are primarily fixed costs.
- Mr. Hanold asked about the way the computers are funded, noting that special articles can carry over if there are unspent funds. Ms. Miller noted that this was a benefit because it allows replacement as needed rather than to avoid losing the appropriation.
- Ms. Allen asked about the process with Virtual Town Hall. Ms. Miller said they have created a temporary website with a link from the old site with a functioning calendar and the ability to post the budget, as well as continuing the ability to make payments.
- Mr. Hanold asked where additional administrative support will come from, and whether there is a plan for where internal support will be. Ms. Miller responded that VTH will provide administrative support and content updates will come from current staff as time allows.
- Mr. Abbondanzio provided a spreadsheet showing a breakdown of how the legal budget has been spent this year. The bigger, sporadic items make it difficult to both budget appropriately and to stay within the budget.
- Ms. Levenson asked about potential of hiring someone to tear down the Strathmore building and sell the bricks. Mr. Abbondanzio said they did a feasibility study which estimated the cost of demolition at \$2 million. He doesn’t know what the town would recover from sale of bricks, and feels that this action would be the absolute last resort.

Mr. Abbondanzio thinks there are better possibilities and potential there because the previous owner cleaned out the building and spent a lot of money on architectural and engineering studies, which could be valuable to a future owner.

- Mr. Hanold about other items for the next STM. It is tentatively planned for April 1, 2010. There will be an article for borrowing authorization for energy work, the previously mentioned request for additional Legal funds, and an article to for some unexpected debt service (It was not known during the FY10 budget process when permanent borrowing would be issued. It is expected that this will be funded from Stabilization, and that the FY11 budget will include an article to replenish the Stabilization fund from taxation. Since this is excluded debt, there will be no impact on the FY11 budget.)
- The Franklin County Solid Waste Management District is likely to accept Leverett as a member, so we'll probably have the lower number. Mr. Hanold proposed incorporating that number into the current budget.
- Mr. Abbondanzio noted that while it is reasonable to level fund the Public Buildings Utilities budget, that level funding will probably not be appropriate for diesel and gasoline. Matt Cadran (DPW) suggested that both of these accounts may need another \$3,000, so Mr. Abbondanzio asked that if there's a savings in general insurance that the savings be put towards those two line items.
- Mr. Abbondanzio just learned today that the town will receive a \$150k grant to replace the town hall boiler and a \$12k technical assistance grant for a project manager to oversee that project. The grant done through the FRCOG, with funding from a foundation in Boston.

#### **Budget Hearing Parks & Recreation**

1. Mr. Dobosz described briefly the primary income and expenditure items of the Parks Revolving Fund. The income is the fees for the various programs. The majority of the revolving fund helps finance the summer playground program. Money generated through the playground also helps take care of other items like basketball hoop adjusters costing \$2500, taking care of a play area by getting new swings, wood chip surfacing, and things like that. Funds are not just being spent on programs but also on facility and equipment enhancements for those programs.
2. The Parks and Recreation Department runs over 30 programs throughout the year.
3. Mr. Killeen asked about the 3% reduced budget, which shows most of the reduction coming from pool expenses. The pool expenses cover the Bluefish swim team, swim lessons and open swim. If the department has to make reductions in the operating fund, user fees for these programs will have to increase. Higher fees lead to lower use, which leads to higher fees. Participation in these programs has been strong.
4. Ms. Allen asked about the move the Town Hall basement during the winter months. Mr. Dobosz noted that the heat consistent, and that the DPW did a great job in cleaning it and making it ready for them.

Marge left at 7:45 PM.

**GASB45** There is no longer a quorum of the Finance Committee, is decided to postpone any decision until all members are available.

**Affordable Assessment**

Mr. Hanold passed out the latest version of Mr. Naughton's work on the affordable assessment. This latest version includes information regarding changing the percentage allocation from 52/48 to 51.5/48.5.

**Next Meeting:** February 24, 2010 at 6:00 PM  
Budget Hearings:  
6:05 - FCTS

Adjourned at 7:59 PM

Respectfully Submitted,  
Carolyn Olsen