

**FINANCE COMMITTEE/BOARD OF SELECTMEN
JOINT MEETING
7:00 PM**

August 4, 2009

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PRESENT: Finance Committee members Chris DeSimone, George Zacharakis, Michael Landino, Chris Johnson, and Holly Seiferth; Town Accountant Theresa Walsh; Selectmen Joseph A. Sergi, Patrick J. McNabb and Joseph Hallisey; Peggy Mazzola, Administrative Assistant; Treasurer/Collector Michael Hartnett, and Assistant Assessor Susie Smith

Mr. DeSimone called the meeting to order at 7:00 PM.

Mr. DeSimone stated he called this meeting for two reasons; one being that we know that FY '11 will be worse than this year, and we would be derelict in our duties if we didn't discuss alternative/new funding options; the second reason for this meeting is that we have four new members on the Finance Committee, one with just three months on the committee, and one with 1 ½ years on the committee. Mr. DeSimone is hoping to pick the brains of the new members, and to hear and discuss ideas. Mr. DeSimone asked for comments on an increase in the food tax.

Ms. Smith stated this is a local option, and has to be voted on at a Town Meeting. This potentially will not cost anything to collect, as the State collects the tax and remits to the Town. The DOR's opinion is that this could mean an additional \$12,000 in revenue to the Town. If we had restaurants with full liquor licenses, this amount could quadruple. Ms. Smith recommends putting this before the voters.

Mr. DeSimone stated the Finance Committee would have to recommend or not recommend this. Mr. Hartnett asked if this had to be done at the Annual Town Meeting, or if it could be done at the Special. Ms. Smith stated she didn't think it mattered when this was brought before the voters, however if done at the Special Town Meeting we wouldn't include this additional revenue in our estimates for FY 10. It is up to the Finance Committee whether they would recommend this; we would want to get the public pulse on this and let the voters know it will be discussed and get their opinions.

Mr. Sergi stated he could not support this; we have had tax increases, and he feels we need to look at efficiencies and look for savings by looking at things differently. Mr. Hartnett has some proposals to save the Town money, such as bi-weekly payroll and direct deposit. Mr. Hartnett asked if Ms. Smith knew what other towns were doing regarding the increased food tax. Ms. Smith stated she didn't know, but that Tyngsboro is looking at this option.

Mr. Landino stated he is not in favor of this additional tax, depending on what surrounding towns decide. Mr. Zacharakis stated his initial reaction is that he could not support this. Mr. McNabb stated his reaction is that he wouldn't support this until we explore other options. Ms. Smith stated the additional tax is not coming from the seller's pockets. Mr. McNabb replied that this tax increase will increase the cost of what everyone is buying, and we just had a 2 ½ override. Mr. DeSimone stated he is not in favor of taxing the people of Pepperell, but he stated that people from everywhere are patronizing the local restaurants. Ms. Smith stated this should be put before the voters. Mr. DeSimone stated the Finance Committee will make a recommendation if this appears on the warrant, and assumed the Selectmen would put this on the warrant. Mr. Sergi stated he is not making that decision right now. Ms. Walsh stated taking action on this in the fall will not change our estimated revenue in FY 10; the money would go into Free Cash and would be included in estimated revenues on the recap for FY 11.

Mr. Johnson asked whether the Town could take 10% of the revenues from the Enterprise Funds as well as have the Enterprise Funds pay 10% of general government expenses. Ms. Walsh stated the Enterprise Funds pay part of many budgets -- \$30,000 each is paid by Water and Sewer, and the Transfer Station will follow suit. Mr. Landino asked if the Enterprise Funds pay employee benefits. Ms. Walsh stated they cross charge everything they can. Mr. Hartnett stated this applies to retirees as well. Mr. Johnson asked if their salaries could be cut by 10%. Ms. Walsh stated most are under contract; the bylaw

employees working for Enterprise Funds took the same hit as the rest of the bylaw employees. Mr. McNabb commented that the Town owns the landfill, and asked if the Town receives rent from the Transfer Station, or if the Town recouped the costs from when the Transfer Station was started. Ms. Smith stated we have to be careful how we back-charge the Enterprise Funds, as they will just increase their rates and hire more people. They don't consider themselves to be a supportive issue of the Town. Mr. Hartnett reminded everyone what happened at Town Meeting with the Canal Street proceeds.

Mr. Hallisey asked if we pay the DPW to plow town-owned buildings. Mr. Sergi suggested we look at the cost to outsource. Mr. DeSimone stated that Peter Shattuck will tell you the trucks are used year round. Ms. Walsh remarked that other towns have much higher Highway Department budgets than Pepperell. Mr. Sergi commented that he feels every service should be looked at. Mr. DeSimone stated it is his experience that towns that outsource spend a lot more money than towns that have their own highway department. Mr. McNabb asked if the Enterprise Funds charge the town to use their trucks to plow. Ms. Walsh stated she was pretty sure only Highway Department trucks are used for plowing.

Ms. Smith commented that many towns outsource their Ambulance Departments. Mr. Sergi stated we should look at regionalizing our communications department; the Department of Revenue provides information from other communities in this regard. Ms. Smith stated that Hamilton and Wenham regionalized a lot of their town services.

Mr. Sergi stated that to fill the gap long-term, we have to think collaboration, outsourcing, and regionalizing, and he would support the Finance Committee having this as part of its process. Mr. DeSimone suggested that a committee appointed jointly by the Finance Committee and Board of Selectmen be created to study this. Mr. Sergi stated he just wants to see this get done. Mr. DeSimone suggested the Finance Committee appoint three members and the Board of Selectmen appoint four members, to study regionalization and outsourcing, stated that is a lot of work to assign to a committee. Pepperell Free Press Report Don Eriksson commented that Ayer and Harvard looked at regionalizing their DPW; it didn't come to fruition, but the Town Administrator took on this task. Mr. Sergi asked if we would have enough time to put this committee together. Mr. Walsh stated this committee would have to provide results before the January budget cycle. Mr. DeSimone stated he would hate to have a committee whose mission is so broad they accomplish nothing. A seven-member committee with six months lead time may have results by January. Mr. DeSimone suggested the Finance Committee could discuss this at its next meeting and come up with three names. Mr. Sergi recommended we solicit interest through Citizen Activity Forms, and questioned whether the make-up of the committee should include members of the Finance Committee, Board of Selectmen or department heads. It was pointed out that Finance Committee members can not serve on any other committee other than the Personnel Board and Capital Program Committee. Mr. Sergi stated the Selectmen will discuss this at their next meeting and solicit interest. Ms. Walsh suggested that if the committee is made up entirely of citizens, they will need some guidance. Mr. DeSimone stated that there isn't any reason members of the Finance Committee and/or Board of Selectmen can't go to their meeting to advise them. Mr. Sergi asked if there would be an issue with a board/committee member being on the committee. Ms. Smith stated there could be an issue if their department is one to be consolidated. Ms. Walsh suggested that the Town Administrator be a part of the committee. Ms. Sergi agreed with Ms. Walsh's suggestion, and stated the rest would be citizens for a total of seven members. At a subsequent meeting the FinCom and Selectmen can get together and write a committee charge.

Mr. Hartnett suggested that Ms. Smith and Ms. Walsh bring the new FinCom members up to speed on receipts. Mr. DeSimone stated this was done at the last FinCom meeting. Ms. Smith stated there are not

many problems with estimated local receipts, and they are usually very close on this number. Of course this is subject to things that vary, such as the Board of Health receipts due to the contract with Nashoba. Ms. Smith recommended that the new FinCom members read the Finance Committee manual published by the state.

Mr. Hartnett stated his office implemented an increase in the demand fee on excise tax half-way through FY 09 and picked up an additional \$10,000 in revenue; this is expected to be \$20,000 for FY 10. If his office increased the cost of municipal lien certificates from \$25 to \$50 we could increase revenue by \$8,000 to \$10,000. Mr. Hartnett suggested the Town issue passports; Groton is no longer providing this service, however he did not know what the potential revenue would be. Mr. Hartnett stated he would like to implement converting payroll to a bi-weekly schedule and have every employee receive their check by direct deposit. Mr. Hartnett commented that the Library has 100% participation; fewer than 50% of the employees direct deposit their checks town-wide. Mr. Landino asked if he considered outsourcing payroll. Mr. Hartnett stated that payroll issues must be brought to the unions to impact bargain. Mr. Hartnett stated his department would save approximately \$4,000 per year if all employees have direct deposit. Mr. DeSimone asked how we could make this (direct deposit) happen. Mr. Sergi stated the Board of Selectmen needs to reach out to the unions. Mr. Landino asked if there are time clocks. Ms. Walsh stated there are no time clocks and this would have to be bargained with the unions.

Mr. Hartnett stated another area of revenue would be if the Town adopted the Community Preservation Act; a 2% surcharge on property taxes would generate approximately \$200,000 annually in additional revenue. CPA funds are restricted to certain areas, including renovation and restoration of historic buildings. This is not a budget savings, but looking at the future potential. Ms. Smith stated the Town has to vote to accept a 1-3% additional tax which must be tracked separately. This would be a difficult hurdle at Town Meeting without a huge campaign. Mr. DeSimone suggested this would be difficult for voters to swallow after voting on the override.

Mr. Hartnett stated that two or three years ago the Town mandated that all retirees at age 65 join Medicare, which has been a savings for the Town. For every 10% of health insurance costs the Town pays, the cost to the town is \$100,000. We could have new employees opt into rate saver plans, which are 15% cheaper for the Town. This may require a bylaw change. Mr. Hartnett stated 70 employees carry the Town's health insurance, and the cost to the Town is \$13,000 for a family plan and \$5,000 for a single plan. Mr. Hartnett remarked that some of the Town Administrator candidates, during interviews, suggested offering incentives to employees, such as \$1,500 per year, who opt out of the town's insurance. One of these Towns that did this saved a lot of money.

Mr. Hartnett stated he spoke to a Treasurer in Connecticut regarding the Peter Fitzpatrick School; his Town leased an old school to several daycare concerns and received \$5,000 per month rent for each of these daycare concerns. We could also convert the Peter Fitzpatrick School to Town offices/Public Safety Complex/Fire Department. Mr. DeSimone stated he would like to see the school be converted to a combined Public Safety Complex/Town Hall/Fire Department. Mr. Hartnett asked what the end result for the Town Hall and Public Safety Complex would be if these departments were moved to the Peter Fitzpatrick School. Mr. DeSimone suggested the Town Hall could be a museum; he didn't feel the current Public Safety Complex building was worth saving. Ms. Smith suggested it could be converted to housing.

Mr. Hartnett commented that the Town expected the pension reform laws regarding unfunded liability would benefit the Town for this fiscal year; however this won't affect the Town until 2012.

Mr. DeSimone stated that the people most affected when we are short of funds are the Town employees, so he suggested that we have a “contest,” for lack of a better term, where employees submit ideas to save the Town money; if their idea saves the Town at least \$5,000, we can give that employee a bonus of \$1,000. Ms. Seiferth stated that they have a program like this in the Federal government. Mr. DeSimone stated many private companies have this program. Mr. Sergi stated he would support this bonus program, but would have to talk to Mr. Hanson about the particulars. Mr. McNabb asked Ms. Seiferth to provide details on the federal program to which she referred, and stated he would support this program.

Mr. Hallisey asked Mr. Hartnett about the streetlight notation in his memo. Mr. Hartnett remarked this is a dead issue. Mr. DeSimone stated that Mr. Hanson explained there would be minimal savings with shutting off street lights. Mr. McNabb asked if solar is an option, or if there are grants to supplement the cost of electricity. Mr. Hallisey stated there are grants for feasibility studies on buildings and street lights. The Town of Sandwich recently implemented solar street lights. You would eventually see savings. Mr. Sergi stated he wants the new Town Administrator to look at issues surrounding energy, including rebates, grants, low-interest financial, wholesale improvements to HVAC, etc.

Mr. Johnson suggested an incentive plan for citizen input to save money on their taxes. Mr. Hartnett stated we have a property tax work-off program for seniors. Some towns open this up to all residents, and gain consulting services, for example, in exchange for tax savings. There are lots of resources in this Town, and people in the community may have skills to help the Town.

Mr. McNabb stated he feels we should close the Town Hall “annex” which would save approximately \$3,000 per year. We now have Peter Fitzpatrick for storage; we have conference rooms that could be used for some storage, and we could free up space in Town Hall to move those departments out of the annex. Mr. McNabb stated he thinks we can find the room, and he doesn’t understand what the push-back is on this item.

Mr. DeSimone summarized the ideas discussed this evening

- Additional meals tax (up to Board of Selectmen to include in warrant)
- Outsourcing/regionalizing – new committee
- Direct Deposit
- Bi-weekly payroll
- Community Preservation Act – on Town Meeting warrant
- Rate saver health plans
- Peter Fitzpatrick School – need to decide what to do with it
- Employee Incentive Program
- Solar street lights/grants/energy audit (for new Town Administrator)
- Citizen ideas – have Jeff Sauer at a meeting to put on website
- Close Town Hall annex

Mr. DeSimone suggested the two boards meet in mid-September to see how we’re progressing, hear new ideas, and see how the new committee is doing.

The Board of Selectmen left the meeting at 8:43 PM.

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ACCEPTANCE OF MINUTES: On a motion by Mr. Johnson and seconded by Mr. Zacharakis, with Ms. Seiferth abstaining, the minutes of the meeting of July 14, 2009 were approved.

ADJOURNMENT: The meeting adjourned at 8:45 PM.

Respectfully submitted,

Peggy Mazzola, Administrative Assistant

APPROVED: FINANCE COMMITTEE:

APPROVED: BOARD OF SELECTMEN:

Chris DeSimone, Chairman

Joseph A. Sergi, Chairman

Chris Johnson

Patrick J. McNabb, Clerk

Michael Landino

Joseph Hallisey

Holly Seiferth

George Zacharakis