INTEROFFICE MEMO

DATE: 1/9/2004

TO: THE BOARD OF SELECTMEN

CC: DON JOHNSON

FROM: JOHN MURRAY

RE: RESPONSES TO SELECTMAN'S ASHTON BUDGET QUESTIONS DATED DECEMBER 26, 2003

Questions:

All dept heads - Manager's Message – p. 3: In order to put the $23.4 million "Needs" budget into perspective, could you define the guidelines provided to staff in determining what "Needs" really means. For example, last year, you presented an estimate for the FY05 budget of $22.1 million and now we are at $23.4 million for FY05 – an increase of $1.3 million. What explains the difference? Does this reflect any improvement in services, increases in demand, or inflation, or simply reflect the status quo, etc.?

We simply asked the department heads what they needed to run their operation without defining the word need. By copy of your question to the department heads, I have asked each of them to speak specifically to the issue of: is their request a "needs based budget" or something beyond or something less.

Don's reduction of departmental requests, Don's budget message, or any staff comments should be not taken as indicating the department heads prepared anything except a needs based budget or less. Rather these actions were necessary to shoehorn the $23.4 of requests into the ALG allocation.

The increase you refer to is misleading. As you and other Board members may recall the $22.1 million dollar number was generated two years ago for ALG purposes. Further it carried explicit caveats, which were accepted by the Board and ALG, that (1) it was ***not*** a bottom-up generated number, (2) that it represented an early estimate, which was subject to change and (3) all agreed that it represented a plan number and not a benchmark to be compared against.

As Don stated in both his budget presentation and budget message the appropriation request he submitted to the Selectmen this year is "woefully inadequate" and that it continues more than a decade of under funding.

John - Tab 4 I seem to be off about $10K between the budget shown at Tab 4 of $19,355.6 K (plus new programs of $315K - total of $19,670.6K) vs. our "target" number of $19,681K. Can you explain the difference?

You are correct that the tax subsidy being proposed for the COA Van Service is the balancing number ($10K) to reach the FY'05 ALG allocation for municipal spending.

You are correct in one sense of the phrase "new programs and staff requests". However, I wish again to stress that we cannibalized other programs and current staffing to provide funding for these requests. We feel that we needed to make changes in the resource basket of goods and services we procure in order to provide the best possible service level to the community.

Jean - CoA – What does the sheet that says "CoA needs a $10K subsidy" mean? (Is this the answer to the question directly above?)

Jean Fleming is responding as to the need under a separate cover.

Steve, Dave Brown, John and all other dept. heads with these types of funds - Along the same lines I would like to know 6/30/03 balances in all revolving, enterprise and gift accounts as well as anticipated increases/decreases in those funds for FY04, i.e., projected balances for 6/30/04. I know we use some monies from these accounts to help offset spending funded by taxation (as indicated in the budget book), but I am obviously interested in where these accounts are headed and to what extent we are depleting these accounts (or where more might be used). I am especially interested in projected NESWC accounts as we appear not to be funding anything out of taxation, yet we are hiring a consultant, plus self-funding $420K in capital items.

Steve Barrett will provide the 6/30/03 balances and I have asked each department head to address the subject of moving ahead with you on Saturday.

We have removed the tax subsidy for NESWC because we believe we can fund from revenues and existing fund balance the FY'05 and FY'06 NESWC obligation, projected capital needs, a consultant to assist us in determining what course of action we should pursue in the post-NESWC era. This decision is consistent with the promises made to Town Meeting and the Selectmen. Please note: the need for the post-NESWC Consultant has been mentioned to Selectman Johnson but I have not included a request at this time because Mr. Johnson is still climbing the learning curve on 20 years of NESWC history. Not attempting to prejudice Selectman Johnson's opinion, however I expect that we will need an appropriation for a consultant at this Town Meeting and would expect the cost to be about $100,000.

The Consultant funded in the budget and referred to in the question is the continuation of obtaining an independent trash brokerage consultant. This need continues because revenues generated from the brokerage program represent the majority of the dollars generated each year.

David Brown is providing additional information concerning the capital items under a separate cover.

John - In the past the budget book has always included a chart showing cumulative (and year to year) percent changes in spending vs. inflation vs. Prop 2 1/2 from FY89 forward. Can that also be updated?

We are attempting to do so; however the file has been corrupted. If the IT wizards are able to fix the file, I will attach it.

Manager's Message – Table 6: Given that the Selectmen have already decided to take out the funding of ARRT of $82K, what is the Manager's recommendation regarding the reallocation of that money?

Jean Fleming has indicated that she now feels the $10 K subsidy is insufficient and she will need approximately $25 K. Please see Jean's memo under a separate cover.

I have spoken with Don and our plan would be to utilize the $57K remainder to partially replace the lost substitute wages and emergency call-back funding (overtime) in our departments. The purpose of the partial replenishment is to minimize the number of times a fire station will be closed and the number of times we will need to reduce the patrol force.

I would hope that in the near future we will receive a recommendation from staff regarding fees for services and whether (aside from the dog license increases) there are other fees that we might hope to increase. I believe this is something that we are to discuss at the next ALG meeting so I would like to see the recommendation in advance if at all possible.

I do not foresee that we will have an opportunity to fulfill this request either for last Thursday's ALG meeting or the Budget Review Session. We realize that more and more staff is unable to respond to Board requests and other requests. While this is disappointing to you and Don, it was not unforeseen. In fact, the Board has noted for a number of years that this phenomenon would occur due to the lack of appropriate funding levels. We credit staff's hard work for fielding these requests without the appearance of pain in the past..

I am not making any excuse, but I would ask that you note that we are attempting to handle four separate land issue negotiations, implementing many new unfunded mandates from the State, closing out the Sewer project, issuing final betterments, covering staff reduction workload, implementing new financial software with a business partner that required assistance, conducting a factoring revaluation, putting together permanent bond issues, staffing new boards and committees and serving the taxpayer to the best of our abilities. That being said, we expect to be able to provide you with a recommendation in the very near future.

Steve - Lines 57060 through 71 (health insurance) – although the Trustees have not yet set rates, I expect BC to go up about 75%, HPHC 25% and Medex 8%. BC is shown as going up 48%, and therefore I assume this is because we expect migration to HPHC, correct? How much migration are we assuming? Why is BC Retirees going up 161%? I do note that the weighted increase is about 51% across the board which seems about right (perhaps a little high). The initial presentation from Peter Savage last week indicated a total cost increase of about 45% vs. this year.

While we recognize the need for the Health Insurance Trustees to set rates upon an assumed migration rate however, we do not believe we should budget based upon an assumed migration rate. If we were to overestimate the migration rate we would be under funded and maybe to a significant degree. This was a very difficult decision for us because we have eliminated the funding for real needs and if migration does occur this line would be over funded. However due to the bottom line budget, we could redirect these possible excess funds to unforeseen or unfunded needs.

As for Peter Savage's analysis, which is predicting need for a lesser overall increase, we do not believe you can fund the budget by the overall increase. Too many factors are rolled into that overall

number. The two primary factors, which differentiate the two approaches, consist of: (1) two health insurance plans at differing cost structures and (2) different contribution rates between active employees and retirees. In addition, as you are aware, the Trust is considering changing the cost allocations between single and family plans by changing the cost estimate for families from twice the single rate to 2 ½ times the single rate. As I stated at the last Insurance Trust Meeting due to the profile of the Town's employee pool and Town retiree pool, I expect such a move to cost the Town as high as $400K***, which has not been accommodated in the submitted budgeted proposal***.

As always, the devil is in the details. As to the specific percentage questions you raised, we have accommodated a 75% increase in Blue Cross, a 25% increase in Harvard and a 25% increase in Medex. We have also budgeted on a person by person basis. I am attaching a cover worksheet to this memo for your review.

Don - **HR – Line 51300 – when do we expect a new HR Director to come on line? Please describe the difficulties and degradation of service to the community caused by not having that position filled this year.**

We are currently involved in a minority outreach effort and we are hoping to fill this position this year. Donna Rochette, the single clerical employee of the Human Resource Department is providing for veteran's benefits, and has stepped up to handle this manning shortfall. In addition Don and I are stepping in to hear grievances, evaluate law changes, and to address the abnormal in both the HR function and veteran's benefit function.

The implication of this vacancy is shifting work to already overworked personnel. An example being the payroll control check of the department budgets, which has historically been completed by the HR Director was shifted to the Finance Director. Vacancies within departments are not being filled as soon as they should be. In addition, initial resume reviews and preliminary interviews, which were completed by HR are now being completed by department heads. These are department heads who at the staffing levels supported by the budget are overwhelmed and are now attempting to manage the additional workload of the vacant position.

As a result of our inability to fund competitive pay rates with other municipalities, according to the independent salary survey distributed last year, we are beginning to lose people. A specific example the only clerical person in the Highway department provided her two week notice Monday morning. She has been with the Town for 24 years and has been at the top step for clerical employees for the last 14 years. She is taking a new job with the Water District for approximately 14% more pay, 90% employer paid health insurance for her active employment and for her retirement years, and obtained a matching dollar contribution for the municipal version of her 401K plan.

As the Board is aware we have lost employees to the Schools, in the past, again for less work, better pay and better benefits. It is devastating to morale when an employee can quit Town employment, shoulder less workload, earn more money and enjoy better benefits with both the Schools and the Water District.

The short form of the long winded answer, we are sinking fast and if we are expected to survive as a functional entity we need this position filled. Further, we need to address the wage and benefit gap between the Town, and the Schools and the Water District.

Don - **Re capital request for additional PSF building maintenance personnel; Manger's letter indicates a request for $26,000 and the departmental request indicates a request for $20,000 – which is correct? Do these include benefits as well as salary?**

All the parties agree with the $20K number and it does include benefits.

Don, Frank & Bob - Police – I note that the one recommended capital request for dispatchers is the *last* priority (#15) on the Chief's capital list. Indeed all of the non-personnel items could be funded for 2/3rds of the cost of the dispatchers. Please indicate why this is recommended by the Manager when it is the last of the Chief's priorities? If these are to be civilian dispatchers to replace the firefighters who currently perform this function, will the firefighters be laid off? Why can't we use either firefighter

Originally, neither Chief submitted a new manpower request for the new dispatch center. In conversations with them, it was their assumption that the adoption of the concept of "2 dispatchers - 24 hours per day – 7days per week" by both the Dispatch Committee and the Public Safety Building Committee insured funding.

Each Chief is addressing the question under a separate cover.

FYO5 BUDGET PREP

OCTOBER 2003 HEAD COUNTS - RATES PER SGB

BCBS

GROUP #		DEPT	IND. (I)	FAMILY (F)	(IND) ANNUAL COST	(FAM) ANNUAL COST	(IND) 85% TOWN PORTION	REF TAB	(FAM) 85% TOWN PORTION	REF TAB	TOTAL TOWN COST	Fund Allocation General	Nursing	NESWC	Building	COA Van	Recreation	Sewer	Septic	Food	HAZMAT	Sealers	TOTAL
510473	ACTIVE	TOWN	21	80	7,232.82	15,722.07	129,105.84	A	1,069,100.76	B	1,198,206.60	1,168,003.93	13,363.76	6,147.90	2,672.75	-	-	-	6,347.79	668.19	668.19	334.09	1,198,20
		OPEN REQ'S		10	7,232.82	15,722.07	0.00	-	133,637.60	C	133,637.60	120,273.84	13,363.76	-	-	-	-	-	-	-	-	-	133,63
		ADDS TO STAFF		0	7,232.82	15,722.07	0.00	-	0.00	D	-	-	-	-	-	-	-	-	-	-	-	-	
2267243	ACTIVE	TOWN TEFRA	2	2	7,232.82	15,722.07	12,295.79	E	26,727.52	F	39,023.31	16,170.72	6,147.90	13,363.76	-	3,340.94	-	-	-	-	-	-	39,02
		SHIFT TO HARVARD	0	0	7,232.82	15,722.07	0.00	G	0.00	H	-	-	-	-	-	-	-	-	-	-	-	-	
		COBRA	-3	-1	7,232.82	15,722.07	-18,443.69	I	-13,363.76	J	(31,807.45)	(31,807.45)	-	-	-	-	-	-	-	-	-	-	(31,80
BCBS - ACTIVE		SUBTOTAL	20	91			122,957.94		1,216,102.11		**1,339,060.05**	1,272,641.03	32,875.42	19,511.66	2,672.75	3,340.94	-	-	6,347.79	668.19	668.19	334.09	1,339,06
A/C 01132/570600											A/C 01132/570600												
							50%		50%														
500510473	RETIREE	MEDEX III	44		4,140.00	-	91,080.00	K		-	91,080.00	86,526.00	4,140.00	-	414.00	-	-	-	-	-	-	-	91,08
0002527	RETIREE	TOWN PENSION	11	19	7,232.82	15,722.07	39,780.51	L	149,359.67	M	189,140.18	189,140.18	-	-	-	-	-	-	-	-	-	-	189,14
		ADDS	0	5	7,232.82	15,722.07	-	-	39,305.18	N	39,305.18	39,305.18	-	-	-	-	-	-	-	-	-	-	39,30
		SUBTOTAL	55	24			130,860.51		188,664.84		**319,525.35**	314,971.35	4,140.00	-	414.00	-	-	-	-	-	-	-	319,52
A/C 01132/570610											A/C 01132/570610												
		TOTAL BCBS	75	115							**1,658,585.40**	1,587,612.38	37,015.42	19,511.66	3,086.75	3,340.94	-	-	6,347.79	668.19	668.19	334.09	1,658,58

FYO5 BUDGET PREP

OCTOBER 2003 HEAD COUNTS - RATES PER SGB

HPHC

GROUP #		DEPT	IND. (I)	FAMILY (F)	(IND) ANNUAL COST	(FAM) ANNUAL COST	(IND) 85% TOWN PORTION	REF TAB	(FAM) 85% TOWN PORTION	REF TAB	TOTAL TOWN COST	Fund Allocation General	Nursing	NESWC	Building	COA Van	Recreation	Sewer	Septic	Food	HAZMAT	Sealers	TOTAL
510473	ACTIVE	TOWN	16	40	4,422.60	7,783.49	60,147.36	O	264,638.66	P	324,786.02	272,309.06	14,134.39	13,231.93	1,323.19	6,615.97	-	6,615.97	5,642.36	2,456.58	2,456.58	-	324,78
		SHIFT FROM BC/BS	0	0	4,422.60	7,783.49	-	Q	-	R	-	0.00	-	-	-	-	-	-	-	-	-	-	
HPHC - ACTIVE		SUBTOTAL	16	40			60,147.36		264,638.66		**324,786.02**	272,309.06	14,134.39	13,231.93	1,323.19	6,615.97	-	6,615.97	5,642.36	2,456.58	2,456.58	-	324,78
A/C 01132/570700											A/C 01132/570700												
							50%		50%														
105210000	RETIREE	FIRST SENIORITY	6	0	3,135.00		9,405.00	S		-	9,405.00	9,405.00	-	-	-	-	-	-	-	-	-	-	9,40
		TOWN PENSION	4	1	4,422.60	7,782.24	8,845.20	T	3,891.12	U	12,736.32	12,736.32	-	-	-	-	-	-	-	-	-	-	12,73
		SUBTOTAL	10	1			18,250.20		3,891.12		**22,141.32**	22,141.32	-	-	-	-	-	-	-	-	-	-	22,14
A/C 01132/570710											A/C 01132/570710												
		TOTAL HPHC	26	41							**346,927.34**	294,450.38	14,134.39	13,231.93	1,323.19	6,615.97	-	6,615.97	5,642.36	2,456.58	2,456.58	-	346,92
		TOTAL	101	156							**2,005,512.74**	1,882,062.76	51,149.80	32,743.59	4,409.95	9,956.91	-	6,615.97	11,990.15	3,124.76	3,124.76	334.09	2,005,51
A/C 01132/570720																							
		OPT OUT MEDICAL		7						V	**4,550.00**	3,575.00	650.00	-	-	325.00	-	-	-	-	-	-	4,55
		BUDGET 2005									**2,010,062.74**	1,885,637.76	51,799.80	32,743.59	4,409.95	10,281.91	-	6,615.97	11,990.15	3,124.76	3,124.76	334.09	2,010,0