

FINANCE COMMITTEE

March 15, 2022

FinCom Zoom: 7:30 p.m.

Meeting ID: 781 572 6432

Members: Chair: Megan Blackwell Vice Chair: My Linh Truong
Hafiz Adamjee, Arun Balasubramaniam, Jeff Calabrese, Stefan Carp, Yannis Evrigenis, Bogdan Fedeles, Ruthie Gagne, Patrick Matteson, John Miller, Nicole Soto, Thomas Springer, Enzo Rascionato, Brian Vernaglia

Missing: None

Late Arrivals: My Linh Truong, Arun Balasubramaniam, Nicole Soto, Enzo Rascionato, Stefan Carp

General Business

Chair Blackwell called the meeting to order at 7:31 p.m.

Roll Call:

Megan Blackwell
Bogdan Fedeles
Jeff Calabrese
Brian Vernaglia
Yannis Evrigenis
John Miller
Thomas Springer
Ruthie Gagne
Hafiz Adamjee
Patrick Matteson

Guests: Mr. Nick Cacciofi, Recreation Department Director

Public Comments-No speakers present.

Overview on Recreation

Mr. Nick Cacciofi began by stating that FY22 is somewhat of a normal year compared to the past two years which were significantly impacted by covid. The FY22 actual expenses are expected to be close to \$2.4M. In FY23, he expects some increases in revenue and expenses.

Professional Services staffing will be increasing 5% or \$390K. Overtime will be down due to tighter management control. On expenses there has been a renewed focus on the line level detail. There has been a shuffling of expenses in an effort to provide better transparency and accountability. He further noted that the Town bills back for phones. Recreation will be asking

for \$200K from the town versus \$175K in previous years. This money is used to help defray costs to run the various programs as well as costs Recreation has to absorb. Recreation has been paying back the Town around \$300K to \$350K annually for any support services the Town provides. This includes things like retirement, energy, health insurance, unemployment, and workers' compensation, as well as other specific charges to various departments within Town (i.e., Legal, DPW, HR, Comptroller). Finance Committee Member Thomas Springer questioned if there is a list of what Recreation pays back to the Town. Mr. Cacciofi walked through the indirect list which reflects the specific line-item chargebacks. For FY22 it is anticipated that \$351K will be charged back to the Town, which is consistent with other years.

Finance Committee Member Brian Vernaglia asked if there are any services that Recreation provides to the Town that are not reimbursed. Mr. Cacciofi stated that there is no official list but some of the services Recreation provides are athletic field upkeep, janitorial services, cleaning, snow plowing, floor refurbishment, etc. It was suggested that a list of these types of services be maintained on an on-going basis. On related note, Finance Committee Member Patrick Matteson asked about facility rental charges from the School Department. Mr. Cacciofi stated that Recreation was not charged in the past, but the School Department has recently begun implementing facility rental fees. This is currently under negotiation between both departments. Both Finance Committee Members Yannis Evrigenis and John Miller thought the policy of charging a facility fee is "nickel and diming" and very much misguided. This fee negatively impacts program margins and in turn could have a negative impact on the program's success and longevity.

Finance Committee Member Jeff Calabrese asked which Recreation initiative is the most important. Mr. Cacciofi felt that Borggaard Beach is a priority but will require a significant capital investment. At a high level, building revenues and retained earnings to fund new programs is the biggest and most important initiative.

Mr. Springer questioned the status of program pricing. Are there opportunities to raise prices. Mr. Cacciofi stated that it depends on the program setup. A vendor-run program makes it harder to adjust prices because there is less markup. Homegrown programs have more margin and therefore offer an additional opportunity to adjust pricing.

Finance Committee Member Hafiz Adamjee felt that the cross-charge process is very complex and maybe the Finance Committee can assist in simplifying. He further questioned who manages liability in the event of injury. Mr. Cacciofi stated that liability insurance is provided by the Town and is a charge back under indirect expenses.

Former Chair Enzo Rascionato asked about the status of becoming a fully independent revolving account. Mr. Cacciofi responded by stating that there two types of revolving accounts that the state allows and that Recreation is not a good fit for either. He added this will be further benchmarked in FY23, to be implemented in FY24. He noted that this change will require special legislation and cannot go through Town Meeting due to its uniqueness. Under this model retained earnings will need to pay for staffing.

Finance Committee Member Arun Balasubramaniam asked about the Capital funding status for turf upgrades. Mr. Cacciofi replied that capital did not fund the turf project but this needs to be done in the next year or two. Currently, turf maintenance and field policing are being handled internally by Recreation. Putting money aside every year for turf maintenance would be a good idea versus coming to Capital with a huge monetary request.

Mr. Balasubramaniam asked why rental/storage and grass field costs are up. Mr. Cacciofi stated that the rental increases are directly related to higher port-a-potty lease fees. Regarding the higher grass field costs, Recreation is putting more money into preventative maintenance. This includes the athletic fields, parks, tennis and basketball courts.

Mr. Nick Cacciofi departed at 8:15 pm.

Budget Reviews

Recreation

Finance Committee Patrick Member Matteson motioned to approve the Recreation FY23 Budget in the amount of \$2,579,562 (including \$1,476,096 for personal services and \$1,103,486 for expenses). In addition, he moved that \$351,725 be included for indirect costs and that the following funding sources be used: \$2,360,030 from FY22 Recreation program receipts, \$200,000 from the general fund and \$19,532 from retained earnings. This was seconded by Mr. Vernaglia.

Mr. Matteson began by stating the FY23 budget is a 3.2% increase from FY22. It includes 5 full time equivalent positions, which is an increase from 4.8 in FY22. This is a result of a position moving from part time to full time. It should be noted that the Recreation Department is an enterprise fund and relies on the Town to supplement the department from the general fund. The requested amount for FY23 is \$200K.

The Recreation Department was severely impacted by covid; however, FY22 is looking to be more or less a normal year. The biggest revenue generator is the after-school programs, which account for 62% of all revenues. He noted that a third party-managed after school program (Kidsborough) is being offered by the School Department to parents as a cheaper alternative. In response, Recreation is trying to offer more flexible programs.

Non-personnel costs are projected to rise \$46K or 4.4%. from FY22 largely due to increased maintenance costs at the Mystic School. Indirect costs total \$351K and are in line with previous years. A new sport court has been proposed at the Mystic School at a cost of \$200K and will be presented in a warrant article at the Spring Town Meeting for consideration.

The Recreation Department has applied for ARPA funding specifically for the creation of a new full-time liaison position with the School Department. Mr. Rascionato questioned if ARPA funds could be used to fund headcount. It was thought that this is a one-time cost so hiring would not be allowed within current policy guidelines. Mr. Matteson agreed to follow-up on the long-term plan for funding this position.

Mr. Springer asked if FY23 will be a growth year. Mr. Matteson felt that it should reflect pre-covid volumes and will grow with the introduction of new programs. Program enrollment estimates are very conservative so there is opportunity to grow. Mr. Rascionato wondered if the amount of money provided from the general fund to Recreation should be reduced. Mr. Matteson felt that the numbers are trending in the right direction and allocation should be reduced to \$175K in FY24 and not in FY23.

Mr. Adamjee asked about the profitability of the programs and wondered if an analysis has been performed. Mr. Matteson replied that the biggest programs such as pre-K and after school child care have been reviewed and are the biggest money makers.

The motion to approve the \$2,579,562 budget for Recreation passed unanimously.

Library

Mr. Vernaglia motioned to approve the Library FY23 Budget in the amount of \$2,266,738 (including \$1,797,088 for personal services, \$454,150 in expenses, and \$15,000 in equipment). This was seconded by Mr. Evrigenis.

Mr. Vernaglia began by informing the committee that in order for the Library to remain accredited by the State of Massachusetts it must exceed a minimum-spend threshold. The formula for the Municipal Appropriation Requirement (MAR) is calculated by multiplying the average spend for the past three years times 1.025. This becomes the minimum threshold spend. The proposed FY23 budget meets the MAR requirement by \$114K. As part of the requirement, the Library must also spend above a certain percentage level of the budget for books and periodicals. The level for the Winchester Library is 13% of its budget. This requirement also includes electronic media.

The proposed FY23 budget is 6.1% higher versus the FY22 pre cost-of-living adjustment (COLA) budget. The primary driver of the budget increase is in personal services. Although there are no new positions, there have been increases in senior staff salaries beyond COLA. There was a request made for a part time position but was rejected by the Town Manager. It was noted that two reference librarians have left over the past two years. As a result, the library hired a more seasoned person. The Library director is retiring in July and will be replaced. The Library Board of Directors will be doing the hiring. Overall, expenses are on track for FY22. Mr. Calabrese questioned why the reference librarians left. Mr. Vernaglia stated that the persons hired were not experienced and there was a high level of burnout. No ARPA funds have been requested. However, ARPA funds were used in FY21 for paper bags used in curbside checkouts.

State aid is contingent on meeting MAR and amounted to \$33.2K in 2021. This is not expected to fluctuate in the future. Contractual services are flat driven largely by the fees paid (\$56K) for the Minuteman Network.

Trust and Endowment funds total about \$3M and are managed by Fidelity Investments.

Mr. Calabrese questioned if Fidelity is charging management fees. Mr. Vernaglia agreed to follow-up on this as well as who manages the Trust & Endowment funds.

The only expected capital expense is the replacement of the Library windows at a cost of \$750K. This project will have to be completed within the next 5-10 years. Mr. Springer asked if the window replacement project could be paid through the endowment. Additionally, Vice Chair Truong wondered if ARPA funds could be used here given that it is a one-time cost. Mr. Vernaglia responded that this would have to go through Capital.

Chair Blackwell commented that even though a 6% budget increase is high, previous years have always been in the 2-3% range. If the payroll step increases were not implemented, the actual increase would have been 3%.

Motion to approve the \$2,266,738 budget for Library passed unanimously.

Health Department

Mr. Vernaglia motioned to approve the Health Department FY23 Budget in the amount of \$465,333 (including \$360,233 for personal services and \$105,100 for expenses). This was seconded by Finance Committee Member Ruthie Gagne.

Mr. Vernaglia began by providing a brief overview of the department. He stated that there are a total of four employees, three of which are full time, one who is part time, and one stipend in the department. Back in FY21, the Town approved the hire of a part-time health inspector which has yet to be filled. Mr. Calabrese wondered if the Health Department has contacted HR for support in hiring the Health Inspector. Mr. Vernaglia agreed to follow-up on this. There is also a fifth employee, the Animal Control Officer who receives a stipend of \$6,092.

Former Finance Committee Chair Nicole Soto asked if the two part-time roles could be consolidated into one full-time position. Mr. Vernaglia agreed to follow up on this question.

The projected budget increase for FY23 is expected to be 1% or \$4,604. It was noted that the FY23 budget contains no covid expenses. These expenses have been incorporated into an ARPA request totaling \$1M. Besides staff costs, the biggest expense items are as follows:

- Hazardous waste days \$27,000
- Food Inspector consultant \$30,000
- Mosquito Control \$18,024
- Geese Control \$4,700
- Project Consultant \$5,000 (as needed)
- Misc. \$1,050

There is a revolving fund renewed annually at Town Meeting. The fund is not to exceed \$100K and is used exclusively to fund medical clinics. Income for the fund comes from Medicare, Mass. Health reimbursements and other health insurances. It also funds 20% of the nurse's salary including any overtime. There is also a Cummings Foundation annual grant of \$20K which has

been secured for three years. Permitting by the Health Department brings in \$65K to \$75K annually which goes into the Town's general fund. There are no capital needs.

Motion to approve the \$465,333 budget for the Health Department. Vote passed unanimously.

Legal

Finance Committee Member Stefan Carp motioned to approve the Legal FY23 Budget in the amount of \$480,000, which is all for expenses. This was seconded by Mr. Vernaglia.

Mr. Carp began by stating that the proposed budget represents a \$30,000 increase or 6.6% over FY22. YTD spending for internal counsel (e.g., Anderson & Kreiger) is \$172,217 or 64% of the budget and is expected to be exceeded by an estimated \$27K. YTD spending for external counsel is \$138,021 or 77% of the budget. External counsel is expected to be exceeded by \$38K for the year. A warrant article is expected to be presented at Spring Town Meeting requesting the additional funding.

The Town contracts with Anderson & Kreiger (A & K) for routine legal work. Pricing was previously at a fixed monthly fee, but A & K refused to continue with this model because they felt the compensation was below the amount of work performed. Since that time A & K has been billing at various hourly rates. Overall, this pricing model appears to be working as expenses have been averaging \$24,000 below the average monthly spend. It was noted that there is a \$375,000 spend cap. A & K's contract is up for renewal in June but no pricing changes are anticipated. Based on the lower spend, the in-house legal budget for FY23 is \$300,000, a \$30,000 increase over FY22. The outside counsel budget remains at \$180,000 and is broken down as follows: \$110K town board litigation, \$60K labor contract negotiations, and \$10K for miscellaneous projects.

Routine legal work has been predictable however outside litigation expenses fluctuate substantially and have tended to exceed the budget. One of the reasons for this increase is the number of unexpected personnel grievance cases. The Finance Committee suggests establishing a more realistic budget based on past years' upward trends, which would eliminate the need to go Town Meeting for additional funding. Chair Blackwell suggested that we discuss with the Select Board ways to budget more accurately.

Mr. Calabrese asked if we know where the 'pain points' are in terms of litigation. Mr. Carp stated this is valid point and further research would have to be done.

Mr. Vernaglia asked if we are still using the legal firm of Wade Welsh. Mr. Carp replied that costs attributed to attorney Welsh is currently at \$4,660 YTD.

No Capital needs are anticipated.

Motion to approve the \$480,000 budget for Legal passed unanimously.

Treasury/Collection

Mr. Calabrese motioned to approve the Treasury/Collection FY23 Budget in the amount of \$498,672 (including \$391,922 in Personal Services and \$106,750 in expenses). This was seconded by Mr. Vernaglia. Mr. Calabrese had an update on two questions from the Assessors budget review:

1. Why do we do assessments every 5 years? It is done to spread the costs over a larger period of time and the data is more up to date.
2. Are re-valuations performed annually? Residential re-evaluations are done annually and are based on the market. It was unclear however as to the exact process.

Mr. Adamjee asked if we can do a scenario analysis on doing re-evaluations every year versus five and nine years. Mr. Calabrese agreed to take this up as an action.

Mr. Calabrese provided a brief overview of the Treasurer/Collections Office. He stated that the Treasurer is responsible for the receipt and distribution of all Town Funds. Primary responsibilities are as follows: custody and investment of all Town general funds, OPEB & Stabilization Funds, issuance and management of all long- and short-term debt, management of deferred compensation plans and issuance of payroll and vendor payments. The Collector's responsibilities include the issuance and collection of all real estate, personal property and motor vehicle excise tax bills, water and sewer bills, PILOT payments, Police details, parking ticket and the issuance of liens. Headcount remains at 4.4 FTE and remains unchanged.

Projections for the FY23 Budget will be a 0.702% decrease (\$13,384) versus FY22. Personal Services are down 1.1% vs FY22 pre-COLA budget. To date, 58% of the FY22 budget has been used. Regarding expenses, postage costs have increased due to covid and bank service charges are down. There may be an opportunity to reclass some bank service charges. Mr. Calabrese agreed to follow-up on why bank service fees are below budget as well as the covid impact on postage costs. He felt that the department is not adhering to industry best practices such as digitization, ad hoc reconciliations, and outstanding check management.

Mr. Adamjee was advised that the Town could not do e-billing due to a regulatory constraint. However, he has observed that adjoining towns to Winchester have an e-billing system. He requested a follow-up on this. Mr. Calabrese agreed.

FY23 objectives for the Treasurer's Office include:

1. Optimize funding for long term bonds
2. Expand online bill payment
3. Maintain a collection rate of 95%.

Given that there appears to be some room in the budget, Mr. Calabrese is recommending that we look at self-funding an operations analyst position. This newly created position could focus on digitization (postage, printing) as well as investigating the acceleration of the tax title process. The current process leaves 2% interest (14% vs 16%) on the tax amount before the process is

complete, which translates to lost revenue for the Town. Further research needs to be done to determine if there is a large financial savings here.

Chair Blackwell commented that Professional Services should be trimmed if unused. Mr. Calabrese thought we could use the money for the Operational Analyst however he agreed to follow-up with the Treasurer in an effort to better understand why expenses are not being reflected.

Mr. Vernaglia asked why Personal Services is going down and if it will go up next year. Mr. Calabrese felt there was some personnel turnover however he agreed to follow-up on the question.

The Treasury/Collection budget was voted with the understanding that Professional Services may get reduced once Mr. Calabrese does further due diligence. The motion to approve the \$498,672, budget for Treasury passed unanimously.

In closing, Chair Blackwell advised that Winchesters portion of Northeast Vocational assessment was reduced by \$64K. More to come on this.

Adjourn

Mr. Vernaglia moved to adjourn the Finance Committee meeting and the motion was seconded by Mr. Carp. The motion passed unanimously and the meeting adjourned at 9:45p.m.

Respectfully submitted,
Gary Lozowski, Recording Secretary of Finance Committee

Approved by: 
Megan Blackwell, Chair of Finance Committee