

**FINANCE COMMITTEE
BOARD OF SELECTMEN
SCHOOL COMMITTEE
IPSWICH TOWN HALL, ROOM A
TUESDAY, DECEMBER 9, 2008, 7:30 PM**

FinCom Members in Attendance: Rob White, Chairman, Richard Howard, Jamie Fay, Marion Swan, Ray Morley, Michael Schaaf, Janice Clements-Skelton.

BOS Members in Attendance: Ingrid Miles, Chairman, Charles Surpitski, Elizabeth Kilcoyne, Pat McNally, Jim Foley.

SC Members in Attendance: Joan Arsenault, Chairman, Dianne Ross, Hugh O'Flynn, Ed Traverso, Jeff Loeb.

Others in Attendance: Rick Korb, Joanne Cuff, Bob Markel, Rita Negri, Chris Rogers.

Call to Order: 7:45 pm.

Citizen's Queries: None.

FY08 AUDIT REVIEW WITH CHRIS ROGERS

Mrs. Kilcoyne gave a brief overview of what the Auditors covered in the FY08 Audit.

Mr. Rogers stated that the audit was completed in a timely manner. He presented the Financial Summary and the highlights.

One of the changes from last year was the additional information relating to pensions in the audit.

Mr. Rogers stated that they gave the Town an Unqualified Opinion, which is the best that can be awarded.

Mr. Rogers stated that the total fund balance was \$2.3M, down \$277,000 from last year. There was \$973,000 in undesignated funds. He gave an explanation of where the difference resulted from.

He stated that over the last 2 years, the fund balance has dropped by \$1M. Currently the Town is at 4.8% and should be aiming for 10%.

Jim Foley and Joan Arsenault arrived at 7:55pm.

Water, Sewer and ELD are on a Full Accrual Basis, The Town is on a Modified Accrual Basis.

Janice Clements-Skelton arrived at 8 pm.

Mr. Rogers reviewed the main figures on the Financial Statements.

Mr. Fay inquired if the auditors had taken the retirees unfunded liability into account in the audit. Mr. Rogers stated that they will be implementing that information next year into the audit. This will not have an impact on the modified accrual statements. The full liability will not be brought into the books next year.

Mrs. Clements-Skelton questioned if the bond rating for the Town will be affected by this liability. Mr. Rogers stated that this issue has been discussed, but he is not aware of how it will be handled

specifically. He noted that when the GASB changes came out, the ratings did not change then. He advised discussing this with the Town's Financial Advisor.

Management Letter

Mr. Rogers stated that there were 6 comments with the Management Letter, 5 repeat ones and 1 new one.

Pat McNally arrived at 8:10 pm.

#1 Comment – Extended Day

Mr. Rogers stated that his findings called for many more formal processes to be followed. They have been addressed and implemented. He stated that the total revenue for this program was approximately \$150,000. Mr. Rogers stated that the loan from the Extended Day program to the Tiger Tots program needed to be paid back promptly. Mr. Korb stated that this issue will be addressed.

#2 Comment – Snow & Ice

There is a need for a formal Policy and Procedure Manual. There were also problems with time slips and time sheets not maintained correctly. Controls on contractors were needed and purchasing policies need to be adhered to. Mr. Rogers acknowledged that the price of salt contributed to the large increase in this budget. The Management Response came from Mr. Bob Gravino. He noted that the DPW foreman retired in August and the new Operations Manager was hired in November. The department is under complete review to discover ways to save funds. One half of the expense in this budget is salt. The department will comply with all the recommendations.

Mr. Markel stated that they are in the process of putting a Policy & Procedure Manual together from all the departments.

Mr. Markel stated that some of the recommendations will be difficult to put into effect. When it snows, there is a rush to get out there and clear the streets. They will be looking at ways to better monitor private contractors.

Mr. Markel is looking into ways to cut the cost of Salt, such as alternatives to salt, electronic monitors on the trucks for salt release and the mix.

Mrs. Swan questioned why the cost of salt had risen so much. Mr. Fay stated that much of the cost has to do with the transportation of the salt.

Mrs. Clements-Skelton stated that the priority should be on the time sheets, the need to insure accuracy. Mr. Markel agreed and will be focusing on this issue.

Mrs. Clements-Skelton questioned the conditions to send out salt trucks. Mr. O'Flynn stated that cutting back could create dangerous roads and sidewalks.

Mr. Fay questioned the purchasing policy of the DPW. There seems to be items purchased without purchase orders. Mrs. Negri noted that 5 out of 6 of those items were purchased during emergency situations. Mr. Markel stated that the Accounting department has very tight controls, but there are a few gap areas and 'private contractors' is one of those areas. Mr. Foley noted that they will be implementing a tracking system for private contractors this winter.

#3 Comment – Payroll

There is a need for time sheets to be signed off on. Mr. Markel noted that all departments will comply with this request. This comment is primarily meant for Public Works and Public Safety.

#4 Comment – Student Activities

There were areas in the Doyon School and Middle School that needed to be addressed. Mrs. Cuff noted that the Doyon School discrepancies had been resolved and the ones at the Middle School were being worked on. The accounts will be reconciled monthly.

#5 Comment – Fire Details.

The time cards are not being signed off on or reviewed. There also were no hard copies kept of the time cards. The Fire department agreed to comply with all recommendations. This is a repeat Comment and it was noted that last year the Fire department stated that they would comply and it did not happen.

Mrs. Negri noted that all the documentation that she receives has been correctly signed off on. Where the lack of control is happening is with in the department. Mrs. Negri noted that everything from this department are being watched much closer and her assistant is conducting internal control audits to try and monitor this issue more closely. Mrs. Clements-Skelton questioned if the risk for not following these guidelines is being relayed to the employees. Mrs. Negri stated that it is and they are following up on this.

#6 Comment – Two Unauthorized bank accounts

Two unauthorized bank accounts with the Town Tax ID were identified. Kevin Merz is working to close these accounts.

Mr. Rogers noted that there were 2 comments from last year about the Financial Policy & Procedures Manuel and a Risk Management Manuel, but they have been satisfactorily addressed. He did not that all the manuals should be bound and approved by the BOS.

Mr. Rogers noted that in his opinion, Ipswich is a very well run town with good controls, but that it should always strive to improve.

Mr. Rogers stated that under the Federal Rewards Program, the Title I distribution and SPED were both given unqualified opinions. The only comment was that the Supplement Report was not filed.

FEOFFEES / LITTLE NECK

Mrs. Arsenault stated that the Feoffees legal case is still in litigation, but that there was a Press Release issued stating that Little Neck will be sold to the tenants for \$26.5M. Mr. Foley, as a Feoffees representative, stated that they were pleased with this outcome. There will be more information coming out as the details are worked out.

Mrs. Arsenault stated that the School Committee was working on getting a document in place to deal with any future distributions. The money will be put into a trust endowment.

Mr. Foley stated that currently there is a P & S being worked on. The transfer is expected to happen late summer or early fall. There is still litigation going on.

Mr. Howard stated that he felt there should be a public discussion during this process since this issue has consequences for the Town of Ipswich.

Mr. Foley stated that he had been advised to stay with just what was in the press release at this time and that further discussion would have to wait until more details are worked out.

Mr. Howard made a formal request that the FinCom be involved with this process prior to it going to the Attorney General or Probate. He would like a formal response from the School Committee and the Feoffees concerning this request. Mr. Schaaf stated that he agreed with Mr. Howard position on this issue. Mr. Foley stated that he would address this request and respond to the FinCom on this.

Mrs. Miles noted that this is a private trust, but the beneficiaries are the Ipswich school children.

Probate court will decide if all conditions of the trust have been met and if the trust can be broken. Mr. Schaaf inquired if the BOS had looked into the value of Great Neck with regards to the sale of Little Neck. Mrs. Miles stated that she could not speak to that at this time.

Mr. Markel stated that there are two areas of interest with this sale, could this increase the numbers of year round homes on Little Neck and that the value of year round homes is generally higher than summer cottages. Mrs. Clements-Skelton noted that the town currently plows the roads on Little Neck. Mr. Markel stated that the plowing of private ways is being looked into.

Mr. Loeb stated that the School Committee can not speak publicly on this issue until their legal counsel gives them permission.

Mr. White noted that the override was voted on last year with the Feoffees issue in mind, and that he would hope that the legal counsel takes this into consideration.

FY10 REVENUE FORCAST

Mrs. Negri gave a brief overview of the projected revenue. She noted that not much had changed since her last overview.

The tax rate has not been set as yet. Mrs. Negri noted that some numbers on the revenue sheet may change when the tax rate is set.

Mr. Fay stated that he feels the Town may see cuts before the next fiscal year. He suggested making cuts this year to help next year.

Mr. Korb stated that the SC is preparing to address any cuts that happen.

Mr. Morley questioned if there was any savings this year, how do we make those funds available for the next year. Mrs. Negri stated that they go into Free Cash and it helps build reserves, which then could be used for an emergency situation.

Mr. Markel stated he is expecting some cuts in January 2009. He noted that he is working with Brad Hill on trying to recoup some of the money from the State that he feels was shorted over State owned land.

Mr. Markel stated that his revenue sheets project a 5% cut.

He is projecting a 1.4% increase for next year.

Mr. Loeb stated that the schools need to have these numbers going into budget season. If cuts are needed, they need to be made before the next session of the year starts.

Mrs. Negri explained that any Real Estate taxes not received go into liens and are eventually collected, but that the initial shortfall will have to be covered in the budget.

Mr. Markel stated that he feels any cuts in the budget should come from the BOS. Mr. Loeb stated that he feels the FinCom should advise the BOS on this issue.

Mr. Fay stated that in anticipation of declining revenues, we should be looking to cover the \$357,857 shortfall. With the Split of 61-39, the school needs to find \$216,000 and the Town \$140,000.

Mr. Fay made a motion that the Finance Committee advises both the Schools and the Town that they will see a deficit of \$357,857, and that they take action to accommodate this deficit with a 61-39 split. Mr. Morley 2nd. All voted in favor.

Mr. Markel stated that he has instructed all departments to come in level funded -0% increase. He noted that this may be with a 5% reduction of Local Aid.

The New Growth projected for next year from the Assessors office is \$25M. This year is it was \$35M and the prior year it was at \$41M.

Collective Bargaining starts in January with 7 unions. Mr. Markel suggested holding onto as much Free Cash as possible as he sees FY10 to be a very lean year.

Mr. Fay made a motion to recommend the target rate at 0% to both the Schools and Town. Mr. Morley 2nd.

Mrs. Clements-Skelton stated that 0% is a place where there will be cuts made due to contractual obligations. Mr. Loeb noted that there could possibly be \$1M in needed cuts. The Feoffees issue will not have an impact until 2011.

All voted in favor.

Mr. Markel stated that he believes there will be money for infrastructure from both Washington DC and Boston.

Mr. White initiated a discussion on a zero based budget, but this was determined to be an idea for the future.

Mr. Fay stated that where ever cuts in staffing are projected, the Town needs to be willing to stand behind those cuts.

Mr. White stated that he had spoken with Mrs. Miles about combining some of the department budget presentations. Mrs. Miles agreed that it would be beneficial not to have so many duplicate meetings. Mrs. Arsenault inquired if the Schools budget presentation could go 2 nights instead of 3. It was determined that the FinCom would like 3 nights to properly discuss all the issues. March 24, 25, & 26th will be the School budget hearings.

Mrs. Cuff stated that she would send the monthly budget report to the FinCom.

Mr. Howard requested the FinCom receive Mr. Korb's draft budget administrative proposal. Mrs. Clements-Skelton requested the electronic version for the draft budget and the book version for the formal presentation.

FOLLOW UP ISSUES

Mr. Foley will report back during the January meeting on the Snow & Ice program.

Wind Turbine - The Memo of Understanding

The SC is prepared to vote on this as soon as the BOS has a chance to review it.

Mr. Loeb stated that the 1st two years will be covered.

There seems to have been a miscommunication on what the FinCom requested as a Memo of Understanding. Mr. White will email the SC & the BOS on what is being requested. Mr. Korb stated that he has sat in a meeting with the 2 investors and spoke directly on this issue and is assured that this will be covered.

GIC deadline was December 1st and there was not the 70% agreement, resulting in a failed effort.

Mr. White mentioned that Mr. Bruce Tarr spoke of an open meeting on regionalization. Mr. Korb will send the information to Mr. White.

Mr. Morley is retiring as the Whittier representative. Mr. Morley stated that David Keough was interested. This is a Town Meeting selection.

Meeting adjourned at 11pm

Respectively Submitted,

Lynne Gibbs
Recording Secretary
Ipswich Finance Committee

Approved: 1/13/09