

Minutes of the Acton Finance Committee Meeting February 28, 2012 7:30 pm – Faulkner Room,  
Acton Town Hall

Pursuant to a notice duly posted with the Town Clerk and with a quorum of members present, the Acton Finance Committee convened at 7:30 p.m. on February 28, 2012, to review various matters.

Members Present: Mary Ann Ashton, Maynard Brandon, Patricia Clifford, Bob Evans, Paulina Knibbe, Bill Mullin, Steve Noone, Clint Seward, and Doug Tindal.

Others Present: Asst. Town Manager John Murray, Town Staff, Sandra Klapprodt (Advocare)

### **CITIZENS CONCERNS AND MINUTES**

Acting Chair Tindal called the meeting to order at 7:30 pm. There was no public participation. Minutes for the February 7<sup>th</sup> and 14<sup>th</sup> meetings were distributed for review. Mr. Mullin, seconded by Mr. Tindal, moved approval of the Minutes of February 7<sup>th</sup>. There were no objections. Mr. Mullin then moved approval of the Minutes of February 14<sup>th</sup>. Mr. Noone seconded and the Minutes were unanimously adopted.

### **TOWN UPDATE BY TOWN MANAGER AND STAFF**

The Chair summarized the status of the Town Budget in the context of the Acton Leadership Group consensus. The Board of Selectmen adopted the Municipal Budget not to exceed \$29,187,915 and the ALG agreed to a maximum reserve use of \$1.7 million. The Finance Committee is reviewing three services within the Town Budget prior to making final recommendations: the capital proposal to renovate the north wing of Town Hall in conjunction with a reorganization of the Land Use functions, the Acton Nursing Service and the various Transportation budget items, including MinuteVan and DialARide.

He welcomed the Town Manager, Steve Ledoux, and his staff who outlined the Reorganization of the Land Use department. Participating in the presentation were: Tom Tidman (Conservation) Cory York (DPW/Engineering) Mark Hald (IT), Roland Bartl (Planning) and Frank Ramsbottom (Building). The Town Manager described the proposed reorganization as a goal oriented change resulting from a two year study aimed at streamlining the permitting process at Town Hall and enhancing both the citizen and customer experiences, as well as increasing staff efficiency through the use of technology and cross training. The recommendation to renovate the north wing of Town Hall was made after looking at four privately owned buildings as potential sites.

Among the benefits gained would be online access to digitized documents, an electronic timeline for permitting, “one-stop” shopping, with all land use departments located together, cross trained clerical staff, private conference space, reduced volume of onsite paper storage and improved record keeping and retrieval. The \$600K budget included onsite digitization of records and off site relocation of staff for one year. At the conclusion of the reorganization, there will be 24/7 access to electronic records and the ability to respond to the increasing number of requests for personal project information as Acton approaches built out and transitions away from large scale development projects.

The Chair complimented the staff on an outstanding effort and noted the collective experience and organizational memory represented by the presenters. He said he believed the reorganization project represented a proactive step in the right direction.

Mrs. Ashton agreed that she liked the vision of better service and pointed out that because this proposal is part of a larger bonding package its cost would be spread out over a number of years. In response to her question about a timeframe assuming approval in April, Mr. Hald explained some background work has been done and that full implementation would take about three years.

Mr. Mullin gave the proposal a grade of A, saying that it offered all of the elements of a value proposition. He asked if there was a way to identify the avoided costs that this level of service might entail without proposed changes.

Mr. Noone asked if a specific permitting system had been selected. Mr. Hald explained that the staff is evaluating the module available through the Town's MUNIS system and is looking at other options as well. Mr. Noone said he liked the project and suggested that back shop work continue while space alternatives are pursued.

Mr. Seward also complimented the project and asked about the long term impact on the operating budgets, particularly for personnel. Mr. Ledoux explained that he had overseen a similar reorganization in Westford and believed there could be a reduction in the number of clerical staff. Mr. Hald said that the GIS coordinator will organize the permitting program, but that the Town is currently paying for maintenance. There would be direct costs for implementation and consulting. Mr. Bartl commented that as the Acton 2020 plan is implemented, related activities might require additional personnel. Mr. Ramsbottom said the operating budget already includes funds for digitizing, so that cost will be ongoing.

Ms. Knibbe agreed that the proposal was well done and asked about the timing on the space alternatives. Mr. Ledoux responded that some additional clarification could be available in about a week and suggested a joint Executive Session between the Board of Selectmen and the Finance Committee might be in order.

Mr. Brandon described the proposal as appealing and asked if there was any inflation adjusted information on the \$602K budget. Mr. Bartl clarified that the "abutters' status" options would be implemented within the three year timeframe.

Mr. Tindal commented that he would like to see some analysis of payback; that is, the break even point between the improvements in the quality of service and the number of years it will take to implement them.

**ACTON NURSING SERVICE:** Town Manager Ledoux introduced the members of the Tiger Team that focuses on the operations of the Nursing Service: Heather Hurley, Director of Nursing, Doug Halley, Health Director, Brian McMullan, Chief Assessor, and Steve Barrett, Director of Finance, joined by the consultant from Advocare, Sandy Klapprodt. The group presented a review of the status of the Nursing Service over the past 12 months.

Chairman Tindal opened discussion by stating that it has never been the case that the Finance Committee wanted to see the service shut down, nor was it the current case. The Committee recognizes the service is a cherished institution, but it is clear that the ANS has experienced financial distress and there is a need to figure out what was wrong so that it could be corrected.

Over the past three years, a great deal of time by members of the Finance Committee, staff and others has been directed at getting to this point tonight where we can examine alternatives.

Mr. Mullin thanked the group for an excellent presentation; he confirmed that the FY13 deficit was \$140K and that the FY12 subsidy is hovering at \$100K vs. \$300K in the ALG plan.

Mr. Evans summarized the financials as taking in \$440K and spending about twice that amount. He believes the losses are concentrated in the home health visits and sees no moves to reduce costs. Mr. Barrett stated that since the Tiger Team was convened, the service has gone to per diem labor, the Finance Department is handling billing and the \$400K problem from the beginning of the year has been reduced. There has also been a renewed focus on marketing.

The Advocare consultant explained that when they were engaged to evaluate the operational metrics, they found that data was not being tracked regularly. In this sort of business, the answer is not easily identified because the metrics all play on each other. She gave the example of aging accounts, which cannot be isolated from the Healthwyse system, and their impact on revenues. She said that they understand that internal adjustments were not made as business declined.

Mr. Seward acknowledged that ANS is a beloved institution, but asked if other services that can do this work also lose money. He inquired what they do that is fundamentally different from the practices of the ANS, including per diem charges. In response the consultant said that while going to per diem labor will cut expenses and overhead, it is probably not possible to go totally to per diem coverage.

In response to a question from Mr. Brandon about the status of receivables, the consultant explained that there were no recommendations because data was not available. She underscored that simply increasing visits without regard to payor mix will not resolve the financial issues. It is important to create accountability and a marketing plan.

Mr. Noone agreed with Mr. Evans that this problem is not new. The trends were visible three years ago, and now there is better data and a sense of urgency, but we are not any closer to a resolution of the management problem.

Mr. Mullin asked if the Nursing Service closed, could the patients receive adequate care. Mr. Halley said no and suggested that the ANS was a premier agency as underscored by a rehospitalization rate below 19 percent. Mr. Mullin observed that it is time to determine whether the ANS financial situation is correctable, and, if not, when and how should we exit the business.

Mr. Tindal expressed the gnawing feeling the Town is in a business that others provide for profit that is challenged by redundancy and quality issues. He agrees that while there are decent things to do because no one else is doing them, but believes the Nursing Service needs an alternative approach. He is concerned that there is no business plan element. Mr. Halley responded that a retired Acton resident has come forward to assist with the development of a marketing plan and the Town Manager indicated he had been approached by Emerson Hospital's CEO to discuss shared interests in home health care.

Mr. Brandon asked if the Tiger Team could assure the Finance Committee that we would not be in the same discussion next year. Mr. Barrett reported that they are making changes recommended by the consultant and getting the accounting staff aligned.

Ms. Knibbe clarified the key question for her is the appropriate role of government and the Town vs. organizations outside the government providing the same service. She wants to identify what aspects are critical and how to fund what we need and want. If there are things we can't do, we should eliminate them and keep the aspects we want by including identifying revenue sources.

**TRANSPORTATION PROGRAMS:** The Chair welcomed Doug Halley, Health Director, and Steve Barrett, Finance Director, to present an update on the transportation programs currently in the budget: MinuteVan Rail Shuttle and DialARide. After presenting the current program status, Mr. Halley explained that there may be additional revenue available from the South Acton parking lot meter receipts, contingent on the passage of a home rule petition by the legislature.

In response to Mr. Mullin's request for a three year plan, Mr. Halley explained that with so many aspects of both programs in transition, the elasticity of demand, and the unknown price sensitivity, he was reluctant to offer a concrete outlook.

Mr. Noone commented that the grant in support of the MinuteVan rail shuttle makes that program feasible, while the Town's role is to make up a shortfall for the DialARide program.

Mr. Evans observed that the Town's experience with running the transportation programs at a deficit mirrors the MBTA experience. The Town Meeting has not understood that these programs would incur a deficit that taxpayers would have to make up.

Ms. Knibbe summarized the grant funding and reminded the committee that DialARide lost funding for years two and three before the program had been fully launched due to its start late in year one. Part of the subsidy is the lost grant money and a portion represents the Town's decision to provide transportation services. She asked if Acton can choose which regional transportation authority it joins; i.e., are we getting the best services for the assessment we pay? Mr. Halley responded that Acton needs to find equal partners with equal needs; one option could be to create our own regional transportation authority rather than be aligned with a large urban system.

Mrs. Clifford asked that there be an emphasis on combined dispatch indicating that progress in that area would be important to long term support.

Mr. Seward observed that the absence of a three year plan makes it difficult to recommend a long term subsidy to Town Meeting.

Responding to Mr. Tindal's question, Mr. Barrett reported that the balance in the parking meter fund is about \$900K with an approximate annual cash flow of \$100K. Mr. Tindal said that although the transportation programs had been launched as an experiment, we are looking at overall spending in the Long Range Plan in terms of three to five year impacts. We should have a three year plan for these programs as well. In an attempt to rationalize regionalization there is a need to set some goals and impose discipline on these programs.

### **ALG DISCUSSION:**

The Chair summarized the ALG status as follows: \$1.7 million in reserve use as proposed by FinCom; OPEB funded at \$500K; the proposal to integrate the Long Range Plan assumptions into the ALG model was not overwhelmingly accepted, largely because the operating entities did not have enough time to work on the out year budgets. The OPEB discussion was lengthy but inconclusive, although there was agreement to build on this year's number.

Mr. Noone commented that the deadline for the Warrant message was immediate and a resolution was needed. Mr. Seward suggested that two budgets be considered. Mr. Mullin suggested that the ALG spreadsheet be finished and put in the Warrant noting that the budget work is not complete. Mrs. Ashton suggested reporting on the agreement for FY13 with the explanation that ALG did not agree on the out years because people were not ready to embrace new assumptions. The Chair observed that quoting ranges in the out years was distinctly different from alternative budgets, which he believed would be confusing. Mr. Mullin reminded the committee that sometimes the mechanics of finishing the Warrant trump sequential activity.

Mr. Seward disagreed with the Chair because he felt the Finance Committee had not agreed to a budget, citing the addition of 11.5 new positions as unsustainable. Mrs. Clifford reiterated that the ALG included the lower amount of reserves and funded OPEB for the first time; we need to come up with a rational way to talk about the out years. Mr. Mullin stated the need to build a consensus around the discrepancy and moved that the Finance Committee direct its ALG Reps to meet with the Chairs of the other committees to develop this consensus. There was no second.

Ms. Knibbe described two problems: agreement on the FY13 budget, which it is important to get to now, and the Long Range Plan which will take longer for all the boards to absorb. She felt a range was okay if we can move forward over the summer on the LRP.

Mr. Seward said that it would be difficult for taxpayers to understand why the budgets do not do more to control labor costs. He moved that taxpayers be given a choice at Town Meeting between the ALG supported budget and a 2 percent budget with no new hires. Mr. Brandon supported the motion.

Ms. Knibbe said Town Meeting would not be served by this approach and described two budgets as unthinkable. The motion failed on a vote of 7 ayes (Evans, Knibbe, Mullin, Tindal, Clifford, Noone) and 2 noes (Seward and Brandon.)

#### **OTHER REPORTS:**

Mrs. Ashton reported that she and Mr. Brandon met with the Director of Finance for the schools to go over questions they had with the budgets. She believed the committee could vote the school budgets on March 6.

Mr. Evans cited the Bylaw requirement for formally called budget hearings and encouraged the Chair to schedule these sessions.

Mr. Noone asked for information on how the final HIT rates would impact the budget proposals. Mr. Evans and Mr. Murray concurred that they would, but the analysis was not complete. A final analysis was anticipated later in the week; potential swings could be \$100K positive or negative.

Mr. Mullin said he believed the Finance Committee should vote the budgets on March 6 in order to have the opportunity to print recommendations in the Town Meeting Warrant.

At 10:58, Mr. Brandon, seconded by Mr. Mullin, moved adjournment. There was no objection.

Respectfully submitted,

Patricia Clifford, Clerk