

Provincetown Finance Committee

Judge Welsh Hearing Room

July 12, 2006

1:30 p.m.

F I N A L

Members Present: David Bedard, Frederic Biddle, Thomas Coen, Gary Delius, Edward Gage, Ruth Gilbert, Tom Thurston, Robert Vetrick, and Walt Winnowski.

Members Absent: Alice Foley and Virginia Ross

Staff: Keith Bergman, Paul Gavin, and Alex Heilala,

Others: Mark Abrahams, David Nicolau, and Jessica Waugh.

The meeting was called to order promptly at 1:30 p.m.

Gary Delius did a meeting overview and referred to an article in the Banner of June 15th. He stated the Banner article of June 15, 2006 raises questions, which require FinComm to become much more knowledgeable about school finances.

Keith Bergman introduced Mark Abrahams of The Abrahams Group. Mark has year of experience in the intricacies and details of school finance and provides audit and consulting to a number of school systems and municipal governments across the state. This is important to us at this time because of the recent changes in the school formula for state aid and required spending just signed by the Governor. His firm has done a lot of work in nearby communities on the same subject. Mr. Abrahams has been hired by Provincetown since May of this year to perform a variety of Financial consulting tasks.

Meeting Agenda

To consider the following:

A presentation by financial consultant, Mr. Mark Abrahams

Jessica Waugh also joined Keith Bergman and Alex Heilala at the table. The presentation by Mark Abrahams consisted of hand-outs and visuals listed as the following:

- A. Chapter 70 Trends, FY93 to FY06 - (Chapter 70 Aid, Foundation Budget, Required Net School Spending, and Actual Net School Spending.)
- B. Town of Province-town's FY07 Preliminary Net School Spending. The determination of the Town's total required contribution, Preliminary FY07.
- C. Massachusetts Department of Education - FY07 Chapter 70 Aid projections.
- D. Town of Provincetown FY07 Final Net School Spending. a determination of the Town's total required contribution for FY07.
- E. Mark Abrahams resume.
- F. Proposed format for the Town's Chart of Accounts.

Mark then presented a detailed explanation of the new Chapter 70 formula.

The formula is based on our base enrollment of 155 pupils including students who attend all institutions. This number represents the total number of students to be educated as a responsibility of Town Government.

Tom Coen asked if the figures are scaleable on a yearly basis? "If you scale down the numbers to a certain point does the information become useless?" There seemed to be no real answer.

Robert Vetrick commented that the foundation budget, which the State refers to as the minimum amount required to provide an education, is hypothetical and does not reflect the reality of providing a quality education.

Ruth Gilbert then asked, "Do you find this to be a realistic formula?" – Mr. Abrahams reply, "This year's formula formally addresses equity issues. Is this reflective of actual issues? – not yet." The State DOE wants each community of similar characteristics to pay the same percentage toward education.

Fred Biddle reflected that we are penalized by our preponderance of high-value second homes where residents' income isn't counted. Also, the number of people on fixed income skews our statistics.

Mark went on to give examples of how this formula will affect Dennis and Yarmouth..... and how the proposals he had drafted would address these issues..

Dr. Vetrick said that he would assume that these communities like Dennis and Yarmouth originally got into regionalization for economics. Dr. Vetrick also wondered if there was any talk about Mass DOE mandating regionalization if a Districts student population fell too low? He had heard that communities who drop too low would have the state mandate consolidation. Mr. Abrahams replied that currently districts are only being asked to merge administrations.

A general discussion ensued about the formulas involved and complexity of deriving the formula variables.

Discussion on the DOR complaint and steps envisioned to resolve the complaints.

The next segment of Mr. Abrahams presentation dealt with the steps taken to address the DOR complaints. Mr. Abrahams has already worked with Alex and Betty White to set up a revised and compliant chart of accounts which will allow for timely filings of various State schedules and allow for the integration of the school's accounting with the Town's MUNIS system.

Ruth Gilbert wondered if the school budget were already on MUNIS? Ruth said we always had trouble reading the school budget because it was in a different program and format. Keith explained that the budgets are on stand-alone systems separate from the various accounting systems. Alex said that we do enter Town Meeting approved spending articles in the MUNIS budget system and it works well but it's not user friendly enough to be used for budget hearings.

Mark will take all the comments he heard under advisement and address them at a later meeting.

To review the comments publicized by the DOR regarding Provincetown's filing schedule, presented by the Town Manager and Town Accountant.

Keith Bergman explained that the problem we had in filing schedule A have finally been fixed. The previous Town Accountant depended on the auditors to complete our Schedule A . Alex Heilala, Town Accountant feels that we now have control of our schedule A process and we will be able to file on-time in the future. . She projects the submission of schedule A by October 31st, 2006. Mr. Bergman apologized for the \$1,200 borrowing cost due to our late receiving of the 3rd quarter payment. Cost was a huge embarrassing headline. KAB continued, "We're sorry and we do apologize," However, considering the \$2,500 charge we would have had to pay the auditors to do the filing, we have a net gain of \$1,300 on the cost for filing Schedule A.

Two issues that Department of Revenue (DOR) has with Provincetown are late submissions and over estimates of our non-tax revenues. Late setting of the tax rate happened because all property values had to be updated and upgraded. This upgrade completed to DOR's specifications is now finished. The Assessor's office has completed its transition to PSK Assessing Software, the gold standard in Massachusetts.

DOR has required Provincetown to complete and submit our audit before DOR would set the Tax Rate. Auditors will be due in earlier, other timing issues will considered for 2007 the tax rate will be set by January. This should be the last time Provincetown submits outside the States guidelines. DOR has accepted this timetable.

Another issue is that the Cape End Manner (CEM) since the expenses were higher than projected.

Previously, we had a history of over projecting local receipts. This year, Ms. Heilala conservatively estimated these receipts. As a result we took in \$120K more in local receipts than estimated.

The issues related to setting the Tax Rate are complex and timely. Updating systems and meeting timelines required by the DOR and the normal assessing process are complicated and require a long time to perfect. This work has now been completed.

Ruth Gilbert said she appreciated the explanation, apologizing, etc. and wondered if it would help if Mr. Bergman made this statement available to the press.

School Budget

The Ms. Jessica Waugh, School Superintendent will look into putting Mark on board with the budget systems..

Dr. Vetrick said, "Please urge the schools to join on board." Jessica Waugh said that she will check in on this.

To review and act on the annual end-of -year budget transfers, presented by the Town Manager.

Keith Bergman noted that Massachusetts General laws have now been changed to allow end of the year transfers after the close of the fiscal year. The Board of Selectmen (BoS) voted at their meeting on July 10, 2006 to approve the transfers. The transfers total \$227K and are made up of \$109,168 for Cape End Manor expenses and \$118,589 for Legal Services. Mr. Bergman further said that he is in the process of submitting a request to the state for development of the Cumberland Farms site through

the Cape Cod Commission. He was hoping to find other funding sources for this expense but was unable to identify such a source. Survey costs for the sale of the High School annex of \$21K were charged to legal and an additional \$20K for the damage to the floating docks. Basically, these items are non recurring. Regarding Legal expenses, Mr. Bergman said, "We're going to be more circumspect about the suits we take on in the future."

New England Deaconess

Target date for the land transfer is October 1st, 2006. Deaconess has sold 10 units and have 10 remaining as their initial goal. Dr. Vetrick wondered if there were a chance that they may fail to meet this goal? Mr. Bergman advised that they are at a point of no return and will break ground on October 1st and that this date is set.

Our final involvement with the Manor is \$400K for transition costs and the additional \$227K transferred at this meeting? Gary asked, "So this is beyond our prop 2½?" Mr. Bergman replied "Yes."

Projections for revenues from CEM. Estimate was \$400K. We still have revenues coming in if someone pays, i.e., agency or private pays. "How much private pays are we expecting?" No definite answer but the Town did settle some outstanding bills for 70 cents on the dollar.

In discussing the transfer request for the legal budget, Ruth Gilbert commented that this is the highest legal budget ever presented!

Tom Thurston stated that three years ago, at his first FinCom meeting to vote in favor of transferring \$22,000 from the FinCom Reserve Fund to cover the legal expenses incurred by the Town in its suit against the Crowne & Anchor (for Naked Boys Singing). He was not in favor of making that transfer but felt pressured to do so being new. He indicated his vote this year would reflect his true opinion of the \$42,000 in legal bills incurred by the Town fighting George Bryant over the clean-up of his property.

Motion: Approve the transfers as written.

**Motion: Robert Vetrick Seconded: Walt Winowski Vote 8 in favor,
1 against (Tom Thurston) and no abstentions.**

To consider other business which may legally come before the Finance Committee.

Ruth asked if there were any point in hiring Mark before the schools complete their transition to MUNIS? Ms. Heilala said Mr. Abrahams is designing the system so the school can easily convert to MUNIS when ready.

The Committee wondered if we can request a educational quality assessment of our schools? Truro is already scheduled for an EQA this next school year.

Mr. Delius stated DOE is doing automatic audits but they have only just begun the process.

Motion: Request an ETA state audit.

Motion: Ed Gage Seconded: Robert Vetrick Vote: unanimous.

Ruth Gilbert wants the FinCom to work with the school committee and get the budget in a readable form so it can be analyzed. Mr. Abrahams can explore the financial implications of regionalization. The two-day conference talked about restructuring. What does restructuring look like and how does it

affect everyone?

Motion: Submit a correspondence to Mark Abrahams asking what we can request from him and what he suggests doing for us in terms of analysis of the school budget and also what the cost would be?

Motion: Ruth Gilbert Seconded: Tom Thurston Vote: unanimous

Mr. Bergman suggested that Mr. Abrahams' analysis should include all monies received and expended by the School Department.

A motion was made, seconded, and unanimously approved to adjourn the meeting at 4:30 p.m.

Respectfully submitted,

Evelyn Gaudiano

Evelyn Rogers Gaudiano

Approved by _____ **on** _____, 2005
Gary Delius, Chair