

Minutes of Longmeadow Audit Committee
Meeting of May 9, 2007
Adopted June 27, 2007

Members present: Paul Adornato (Chair), Larry Eagan, Glenn Rosenberg, Ernest Welker, and Peter Landon (at 7:22 p.m.)

Invited guests: Finance Committee members. Judd Peskin, Chair, and Mark Barowsky attended (at 7:30 p.m.)

Chairman Adornato called the meeting to order at 7:10 p.m.

Proposed minutes (previously circulated by the Secretary via email) of the April 13, 2007 meeting were approved unanimously.

The primary purpose of the meeting was to get more specific information about what the Finance Committee does and doesn't do and the Chair wanted, before FC parties joined the meeting, member thoughts to help guide the discussion. Mr. Adornato noted that among the FC's charges is long-term financial planning, and he wanted to know the form and extent of the FC's action on this. This raised discussion about the dominance of employee compensation (some 75-80%) in Budget expenditures, and Mr. Welker wanted to know what the FC does to take into account the long-range implications of compensation, including post-retirement benefit costs. Mr. Rosenberg asked about the budget process itself and in particular if department heads prepare their own budgets. Discussion revealed they submit line-item expenditure requests which, together with a similar line-item expenditure request from the School Department, are compiled by the Finance Director into a total Town requested expenditure. Projected revenues always come in less than requested expenditures. So then (around September) the FC, School Committee (plus School Dept leadership), Finance Director, and Town Manager begin a long process of analyzing the expenditure line items (and their components) and comparing the total to revenue estimates, which also change during the months of budget preparation.

Mr. Peskin and Mr. Barowsky joined the meeting. Over-hearing some discussion about expenditure line items, Mr. Peskin remarked that while attention must be paid to expenditures of all types, "we're nibbling around the edges," because employee costs are 80% and building costs another 10%, both of which are very difficult to control, the other things that we do spend a lot of time on are only 10% of the budget. With the trend line of employee costs rising faster than the trend line of revenue, the long-term implications are clearly bleak.

There were comments that the compensation level of Longmeadow teachers, which used to be at the top by a wide margin among area towns, is down a few notches now. That Longmeadow no longer can grow, revenue growth from additional residential units will be minimal versus, say, E. Longmeadow, which has had a great deal of new building construction, both residential and business, over the past 10 years or so. The question was asked, "So where does the Town go?" One response was, "We're on a rush toward mediocrity." Another was, "If not toward bankruptcy."

Other discussion involved the long-term effect on compensation from upward creep in job classifications and the need, from time to time, to have independent outside studies of the Town's job categories, compensation levels, and departmental employee counts, as is common in the private sector.

Mr. Barowsky asked what changes in budget format the AC might recommend. Mr. Rosenberg recommended that departmental expenditure requests (and revenue estimates where applicable) should show, by line item, prior budget year amount, new budget year request, full-time employee equivalents count, and a narrative in sufficient detail to enable the FC (and others) to understand reasons for any changes so users can evaluate the changes.

Regarding, the role of the FC and AC in bonding matters, Mr. Peskin said the FC has responsibility for developing a recommendation on them and, he thought, the AC should be involved in the design of the bonds.

Wrap-up discussion indicated there was general agreement that more attention must be given now to the looming long-term financial threat, that it may require some out-of-the-box thinking and action, and that the AC, FC and Capital Planning Committee should meet together more often to learn from each other and to coordinate activities. Mr. Peskin and Mr. Barowsky exited the meeting at 9:30 p.m.

The Committee authorized the Chair and Secretary to compose the AC's third quarter fiscal year 2007 report to the Select Board.

The Committee noted with satisfaction that Independent Auditor in his final report for fiscal year 2006 (which was delivered after the AC's prior meeting), concluded, "In our opinion, the financial statements ... present fairly, in all material respects, the financial position of the [Town's reporting activities and funds]" and "the audit of the basic financial statements ... are fairly stated in all material respects in relation to the basic financial statements taken as a whole." In effect, this is a stamp of approval by the Independent Auditor of the financial statements.

The Committee authorized the Secretary to send a memo to the Town Manager informing her that the AC does not now have sufficient information to formulate a recommendation regarding Gov. Patrick's legislative proposal to force the HCRRB to use the State's investment pool for the System's funds but is seeking such information.

Mr. Adornato informed the Committee that he will be unable to attend any further meetings this fiscal year and that he does not intend to seek appointment for another term. He said he would seek appointment to the FC, where he hoped to further the work that both committees recognize is important to the fiscal health of the Town. AC members expressed appreciation for his service to the AC and wished him well.

The date for the next meeting was set for June 27, 2007 at 7:00 p.m., location to be set by the Secretary.

The meeting was adjourned at 9:54 p.m.

Respectfully submitted
Ernest Welker, Secretary