

Cotuit Fire District
Prudential Committee
14 April 2014

Present: Rick Barry, Chairman, Laurie Hadley, Fran Parks, Charles Eager, Clerk, Mike Daley, Treasurer, Rick Kiley, Water Commissioner, Fire Chief Olsen

Rick: I'm going to call the order the Cotuit Fire District Prudential Committee special meeting of April 14th 2014. I'll ask, is anybody here recording?

Amy Kates

Rick: At this point, I'm going to turn it over to Mr. Daley. Just prior to that, can I just make a quick statement? We've started the union negotiations with the firefighters. We've had one meeting where we've exchanged our papers with them our positions and they've exchanged their positions with us. We were supposed to have a meeting last week. Couldn't get coverage for the firefighters so the meeting was cancelled. The next substantive meeting will be this Wednesday. With that, I'll turn it over to you, Mike. Just so you know, I've received a letter that people are having a difficult time hearing you. If you could project, it would be appreciated.

Mike: First, I have disclosed your documents. This is the SEC filing that we provided this year on our bonded indebtedness. Second, I have our schedule for this spring town district meeting, nothing's changed since our last meeting but I thought it would be appropriate to make sure that nothing has changed and that we're all on the same page. Unless anybody has any amendments to the schedule, we'll just take that in. Third, I have an up-to-date budget report for each of you.

Rick: Thank you.

Mike: That completes the information distribution.

Rick: You're doing very well at your projection today.

Mike: Thank you very much.

Laurie: We've asked you four.

Mike: There are four.

Laurie: Very good.

Cotuit Fire District
Prudential Committee
14 April 2014

Rick: How many?

Mike: Four. Now we have our typical worksheet for the appropriations that are pending for fiscal 2015. It's arranged similar to the way it was presented and distributed at the annual district meeting last year. What I'll do with you is I'll just do what is very common in town meetings and district meetings. We'll just call this list and I'll give you some sense of what each one is at.

The reserve fund budget I believe is ready to be approved. The finance budget needs some work. We'll talk about that this evening. We have no capital request that I'm aware of for the finance department. We have a fire department budget which will be number five. We have two fire department articles. One for new radios and one for new ambulance. They will be articles six and seven. We have a water department budget which is article eight. We have two articles from the water department, a pump replacement and well treatment, article nine and a storage tank design, article number 10.

We have a freedom hall budget and we'll need to do some work on that hopefully tonight. We have a placeholder for a freedom hall capital article. I think there is an interest in doing something but I'm not certain we've reached closure on that. I have a placeholder in there and I've stocked \$30,000 in that placeholder just to get a sense of what is happening in our overall world.

We have article number 13 would be our streetlights budget which I've expanded and we'll talk about that in a little bit and I think we need a little help up from you on that. To a library funding, article 14, that interest budget article 15. Employee and other postemployment benefits budget number 16. Transfer to stabilization article number 17. Then I believe I've put a placeholder in that there's a petition article circulating that may or may not have a financial impact on the district so we have a placeholder for them.

That's to my knowledge the sum total of all of the financial articles that are pending before you at this point in time. I want to stay on that page because I want to talk a little bit about the trends of the district. As you can see, you're looking at the appropriations of 12, 13, 14 and what you're all going to be recommending for 15. You can see that the votes have varied over the years from 3.8 in '12 to 3.5 in '13 to 4.125 in '14 to 4.3 not counting another quarter of a million dollars almost for our petition articles. You are going to be looking at something on the magnitude of funding in excessive 4.5 million or more for this year.

Cotuit Fire District
Prudential Committee
14 April 2014

Without the petition article in there, the increase in spending from the '14 appropriate schedule to the '15 appropriation schedule would still work in progress is running in excessive 5%, 5.36 at this point. I've just stocked a placeholder in there for the overlay count which we also have to raise. It's average a little over 21,000 the last three years. I've stocked 21 in there. It's a factor of rounding so that we wind up with a perfect two penny tax rate.

That brings a total amount that we have to provide to just under 4.4 million not counting a petition article. I can level fund to the best of my knowledge right now the local revenue that we used on the recap sheet last year. I've just carried across a level funding of \$165,000. Water is up a little bit in '13 and I don't see any problem with '14. I'm thinking we can bump up a small amount of additional water revenue is fiscal '15 while we set the tax rates. It bumped at up 10 gran.

I started showing you the use of free cash both for recurring cost items and nonrecurring cost items. That's important because it's good policy not to use nonrecurring revenue sources for recurring your expenditure needs. We also refer to them as sources and uses. Last year, we used \$55,000 of free cash in a nonrecurring budgetary way and we used 605 in a recurring budgetary way. It was mainly for the health benefit lying item.

The prior year, we used 700,000 and just reduced the tax levy which was a fully nonrecurring use. We slid down from 700 of using free cash for recurring expenses to about 600 last year moving a little bit up into capital which is nonrecurring. This year what I've done is as you look above, you'll see shaded amounts up in the articles as they total in the '15 column. The 25,000 for the new radios, the 236,000 for the new ambulance, the 30,000 for the pumps and well, the 120 for the tank design, the 30,000 that I've plugged in for this building and the 25,000 to the stabilization fund are all basically nonrecurring.

I've stocked those in as free cash funding uses so that we're using free cash still at something approaching the levels of the prior couple of years but doing it in a way that if we don't have free cash, we don't have to slash and burn the budget on levy taxes considerably to meet that funding need.

The recurring use of free cash that I've highlighted there is the proposed transfer to the OPEB Trust Fund which while it should be a recurring activity, it's one that's discretionary. Last year if you note, you came off to 700 free cash of the prior year to \$660,000 if free cash used during fiscal '14. At this point, I've got you down to about 591 of free cash which when we look at the old and I'm

Cotuit Fire District
Prudential Committee
14 April 2014

saying that 125 is a recurring expense because you should be funding OPEB contributions annually to catch yourself up.

We're only seeing a 2.86% of our budget being funded by nonrecurring sources of funds and I could argue that we're not seeing any in this beginning basis that we're looking at in this draft budget. Now, when we look at the history of our levy, in 2012, the levy was increased over 30%, half a percent over 30%, 30.54. That was because there was no free cash available for use at that annual meeting and you had a habit of using free cash. This is why we don't want to be using free cash for budgetary purposes.

Then in '13, 700 was used to pull that back down to balance the non-free cash use on the operating budget. The levy then went down 22.25% in that year because of the dependency on the 700 free cash. Last year, the levy went back up just on the 15%, 14.86. As the budget sits on the piece of paper tonight, we're looking at another steep tax increase of almost 20%. It's at 18.35% right now.

There is a little summary down below that if I take the increase of the distance between the tax levy of 2012 which was 2.901 and measured against the current estimated tax levy of just under 3.1, the increase over that span of time is only 3.65 which huge swings up and down and up and up as you can see. When I take fiscal '11, '12, '13 and '14 deltas if you will deltas be changed, we're looking at an average annual tax levy increase across the last four years of almost 10.5%.

Now, you may be paying attention to what's going on in the [inaudible 00:13:38] district. You may be paying attention to what's going on in the local court system. You may be paying attention to what's going on now in the federal court system. There is [inaudible 00:13:51] activity pending to force the commonwealth to hold the districts to a two and a half levy on it which would be 2.5%.

Our average over the past four years has been 10.3 with the proposed budgets we have in front of us. There is a significant amount of attention being paid to these districts as it relates to their taxation. I caution you to keep in mind that the spotlight is not going to be turned off in the next two, three, four maybe six or eight months. When we go to set our tax levy next fall, we may be facing significant challenges.

As it sits, we're looking at a tax levy increase of 18.35% from last year to this year.

Cotuit Fire District
Prudential Committee
14 April 2014

Fran: Can I just clarify that without the petition?

Mike: Yes. That's net of anything that you haven't seen yet or I haven't seen to put into this. Article one is the reserve fund. We'll just go over that. We'll vote them all and we'll fund them all at the next meeting on the 28th unless somebody wants to change the annual 50,000 with pass all the value. I want to take you through article four, the finance budget which is page three of 13 in your package.

There is a statutory requirement that we must vote to set the salaries of elected officials which we normally have as a standing article on our warrant. The line item at the top of this page is in theory, the elected officials' salaries. The numbers that appear in the history do not tie back to all of the elected salaries that I have found being distributed since I've come aboard. I want to review with you that it's your intention to provide all of the elected board members proof, fire and water, \$1250 that the moderator is going to get a \$250 salaries and that the tax collector is still an elected official and who we still have seen transactions going to is also named as an elected official and then we're authorized to provide them with \$1000 salary.

That's how I come to 1250. That would be the appropriate number based on prior year spending activity that I see in the records of the district. Last year, the next line was funded with one employee who was subsequently replaced with another employee and there was a drastic amendment to the salary and benefits of the former employee to the current employee. I have reduced that line item and I show you that basically there are 52.2 salary weeks in a fiscal year unless there's a leap year.

We have basically an agreement that requires 20 hours at \$20 or \$400 a week. When I take that factor and then there are weeks when we need to throw a little extra, there's weeks when the employee doesn't work. She doesn't work on Monday, so we don't pay Monday holidays but if there's a Thursday holiday and she does work, so we do pay that. I'm proposing 52.2 at the 400 and that allows us \$1620 for you to negotiate any payroll adjustment that you want to take care of at the first of the year with this employee and a little bit of extra for unusual circumstances.

Then I'm certainly not sure what are illustrious clerk is contracted for but I believe that it's \$2500 and I have a review with the PC on that line because I think that it hasn't changed for a while and I wanted to make sure that it was 2500 and that was a good number for that particular position. Really, we don't

Cotuit Fire District
Prudential Committee
14 April 2014

have to do this tonight. You can take it with you. We need to set these final figures in place two weeks out from tonight.

Going down the list, telephone, I know I'm paying \$67 a month at 12 times that, a little rounding, a little fudge \$800 up from 300 two years ago to 650 this year to 800 for the proper amount to be carried. Payroll services have been about ... We just got a notice from our payroll provider that they increased the rates modestly and they don't disclose the exact. It's all dependent on your volume. We'll be monitoring it over the next few weeks. Effective April 1st, we had a payroll rate increase by our vendor.

I'm not sure how long it's been since the service was put out to bid. It's under \$10,000 but we could take a look at that as well. I'm budgeting 52 payrolls at \$170 a week and another 360 for the W2 work. I think that's a fair number. It's up \$900 off of last year. Legal services or level funding, we had an agreement from our audit firm that they would charge us 12500 in fiscal '14 for our '13 audit. They've already started that. I've bumped it up to '13. I will try to hold them to the 12500. The work should be minimized as each year gets better. Their labor cost should be coming down. I've brought that up 4% of \$500.

There was never a line. The bond was sold I believe in '11 maybe '12. Each year that report that I just distributed to you, the bank charges us \$1500 to assist with that disclosure document for the annuals and SEC filing. They charge us \$300 to service what they call a paying agent. We give them the money. They pay them. I've segregated that and presented a line of \$1800 for those two bond related expenses that belong to the finance department.

There was a presentation at the last meeting and I've just stocked a placeholder of \$2,000 for website. Now, we may want to change that. I have no ownership of that number. I just want to get a placeholder in there. I wasn't quite sure when we met last time whether I know there's a handout so we need to make sure that we have this number proper. I believe there was a handout last month. For now, I have that and then we'll do threw that up. I have reviewed with the PC on that item as well. I did the same for the stenography services. You've found a more reasonable way to capture the voice and translate it to written. Our work with whomever to make sure that we have a proper number in there.

The 2500 is involved for the stenographer. The 2,000 involved for the website. Our contract is level funded because it's level bid. The banking fees of 500, I've dropped down to 200. We're getting wacked with retail banking fee increases

Cotuit Fire District
Prudential Committee
14 April 2014

quite a bit. So far, I've been able to show it not to services and not incurring any expenses. I'm going to recommend \$200 just to be safe.

Legal advertisement, we basically advertised the tax rate hearing and we advertised the annual district meeting. That's level funded at \$1,000. Postage on level funding at 750. Office supplies level at 1,000. Computer and copy 6,000 level funded. Do some memberships is level funded. Unemployment, I'm sticking a placeholder in there that level funds what we put in the current budget. The current budget year to date we've distributed \$21,529.63 in unemployment against a \$6200 budget. We're going to need a reserve fund transfer to accommodate those expenses.

We seem to have been stabilized a little bit. As anybody's guess I'm suggesting we level fund the 6200. It's 100 a week and \$1,000 additional. I have no logic other than that. I think it's fair to assume that some of that might happen and we can talk about that. FICA, I think we're safe at the 27500 level funding. We dropped it last year. I did a little calculation and I grabbed every salary dollar in the budget as it sits before us. Multiplied it times 0.0145 and I could meet every dollar if we distributed every dollar or salary then our FICA cost would be less than 27500 next year. That is quite good.

The EAP Employee Assistance Program level funded numerous years. It hasn't gone up. I have no reason to believe it's going to go up. I have not spoken to the vendor. The town assess is at \$6,808 for the services they provide which is tax collection, tax title work and theory assessing. We do pay the collector in addition to, not sure why but this district has continued to do that. We're level funding that. It's \$8 short. I think we can handle that.

The annual report is level funded at \$1,000. The election ballot cost is at 450. The election cost at 900. There is no reason to fund employee bonds. It's covered in the premium that's paid for out of the general liability insurance. A \$500 miscellaneous just for good luck and that brings us to a total budget for the finance department for fiscal '15 it's down by about 2.25%. We're recommending that we drop it from 170,000 to 166,200 at the moment.

It might be a little bit of a change based on what we work out on those oddball items. Clearly, a reduced budget for this department, not an increased budget. It breaks historically last year it was the first year we have voted by the bylaw this department. It breaks at 37,500 for the salaries. Other expenses at 128,700 and no capital.

Cotuit Fire District
Prudential Committee
14 April 2014

We're looking at a reduction of 2.24 three years going off of the appropriations of '12 to '15. We're down over 8% and on average for the last three years is budget averaged a little more than 2% per year reduction continuously to get to our six plus percent. That budget's in pretty good shape. We need to vote it in its finality two weeks from tonight.

Fire department, the chief is here. The chief and I have reviewed his budget. I have tied back to his. Actually this handout he gave you last week was slightly higher than this because there was a duplicated expense in there. The only thing I note for you in this budget is that nowhere in this budget is any negotiated contract increase. There is a line there that is at the very bottom of the personnel where a placeholder is to put a number or if this contract is settled, it could be spread across the lines.

The bottom line is that without any negotiated salary increase, the salary and wages for the fire department are down to the tune of about 1.8% what they were funded at last year. Various line items up and down, I also noted that the electricity was level funded by the fire department and the new contract for the coop has been voted and approved. I've never seen any written notices to what that expected increase is. Do you have that in your head?

Rick: No, I don't have it in my head. I was at the meeting and it was a crap shoot. The whole thing was like throwing things against the wall.

Mike: I'll follow up and make sure that we get that adjustment factor based on what they know our rates were and what our rates are going to go to under the new agreement. The fire department budget does not currently have an adjustment for the newly bid and what electricity contract. Other than that, the chief has worked on his items with his board. We get to the other expense total at the bottom. The departmental expenses are up about 3.4%. Total budget as it's been presented to you from '14 to '15 is about 80 basis points, eight-tenths of 1% below the funding level of last year.

Now, the capital articles last year totaled 41,500. The year before there weren't any fire articles and the year before that it was 25. This year it's \$261,000. The 25,000 for radios is a typical capital outlay departmental need. It was 25,000 for radios three years ago. Chief took a year off. PPE Personal Protection Equipment last year for 41,500 that's down to 25,000 this year for radios.

Ambulances, it's been eight years since you bought an ambulance. The 236,000 that's requested in the article is a reasonable price for ambulance. That capital

Cotuit Fire District
Prudential Committee
14 April 2014

request takes the total funding for the department up from 1,900, 3,900, 5,000 to 21,442 which is about 10.5, 10.6% increase on that particular department's budget. When you take the capital now, it's a basic level funded budget net of any contract agreements. When you drop the capital in, it pops to 10.5%.

Labor and salaries as I said is down just under 2%. Maintenance is up about 1.6. Operations is up 3.8. Miscellaneous doesn't change. Other expenses net to 3.37. Capital is up 30% not thousand percent. The department is up 10.6. The three-year increase from the 1691 in '12 to the 2144 in '15 is 26.79%. In the annual average increase of the past three years which was down just under half a point, up 15 and now up 10 is 8.43 on a three-year horizon.

Rick: Mike, can I just ask a quick question? How much revenue are we getting for the ambulance?

Mike: It's around 150,000. The chief and I spoke today about recommending an adjustment in the ambulance rates for fiscal '15. We've been paying a lot of attention to that both on the cape and off the cape. It seems your rates are a little bit behind the competition. We can't forecast it because we have to document our actuals. Our actuals for '14 will be what the dealer allows us to use for our estimate for '15. That's why I'm not changing locally seats much on ambulance for '15 but in '16, we'll be able to estimate a higher revenue screen.

Next, article eight, this is our water department. This budget ties back to the budget you were given two or three weeks ago. Salaries are up a little over 15%. This one does include a 3% adjustment on the wages. Over time it's only up 2.75%. That's not an absolute factor of the gross adjustment to the base but it's up relatively similar. The office manager position is considerably funded higher. It's up almost 56% because as the chairman explained, their intention is to run two employees for a training period, migrate the current employee out and a new employee in.

That's their strategy there and that's why their payroll budget is up about 15% plus. Now this department I believe Chris did have some sense of what the electricity was going to be. You'll note that he's raised his electric budget 10.29%. I'm querying whether there that reflects just increased use or also reflects increase cost that Chris has been made aware of. I'll touch base with him and confirm that. Then the rest of his numbers are modest reallocated based on his knowledge.

Cotuit Fire District
Prudential Committee
14 April 2014

Insurance is up less in the water department than we see it going up in the fire department. I've just asked to make myself a question on that line in the comments and I'll confirm that before the next meeting that the insurance agent has provided the water and the fire department. I'll contact them for the freedom hall insurance coverage as well.

Salaries up 15.13. Other expenses up 3.36. Total departmental budget up 7.64. Capital outlay articles this year for the water department are diminished off of last year. '11 they were 525,000, a lot of debt used that year. 80,000 in '13, 270 last year with some debt involved and 150 this year. As I told you earlier, I've plugged both of these to be funded out of free cash.

The capital articles are actually down off of last year by about 45%. The total department appropriation schedule is reduced by about 7.6% in total for the water department. Service connections are level funded. Labor and salary is up 12.5. Maintenance is up less than a percent. Operations are up 5.72%. Miscellaneous stayed flat, 3.64 for the total. Capital is down 44.5. Total department down at 7.5.

From the high peak year in the water department of '12 to the requested amounts for '15, the increase is down by about 26%. That very, very high year with that very high capital is still in play. This looks pretty good.

Rick: That's the reflection of the water tower?

Mike: The 400,000 from that year was ...

I have to look at the specifics.

Mike: The roads. We did one project. One was the tank, one was the roads and then the regular was routines. There were two. We haven't issued the debt for the security system. It's likely that that could get executed. We've issued the debt for both the road and this year for the main. The debt of last year has already been issued and in '15, we'll begin to pay that down. As a note, you might want to market your book. The entire debt and interest budget that's before you is entirely water. It's totally water. If you add the debt and interest budget to the departmental budget and articles, you get the full flavor of the cost of the water operation for this year.

Freedom hall, we had last year for the first time, actually the prior year you had created a position. It wasn't voted properly. The budget for fiscal '13 wasn't

Cotuit Fire District
Prudential Committee
14 April 2014

voted in salary, wages and your bylaw required vote. We did it last year. We're doing it this year. Small 20% increase although modest in dollars. A budget of 225 a month for 12 months in fiscal '15. The building seems to be getting more used. I'm not sure of the wear and tears there. In a date, we've averaged \$175 a month. Basically, I've bumped it up \$50 a month to give you the opportunity to deal with it if you need to deal with it.

Electricity is up \$100 and that's mainly because I've got an \$87 a month average bill for the first time this year. We still need to look at this from a contracted rate adjustment. I'll double check this as well with the Cape Light Compact. Water is level funded. Oil and gas year to date is 5992. I've level funded this. Not sure if we want to push it up or not. That's part of what I'd like you to think about and advise on. Repairs are level funded. I've bumped up the plowing. The plowing was budgeted at 150. We actually expended 175. I've taken up \$50 33% to 200. Again, that one's anybody's guess.

Laurie: Still down from ...

Mike: From the old 300 that really wasn't getting use that's why we dropped it last year. Then we had a pretty good went up. The boiler is level funded. The telephone is causing us \$44 a month. I've got that up from 475 to 600. I think that's a proper amount. Alarm service, I just said needs review. I've bumped it up to 11 but we're going to need to put some kind of equation together to get that squared away.

Building supplies, we've been running \$11 a month so I've bumped that up from 100 to 150. Custodial supplies, we've been running \$25 a month so I've bumped that up from 100 to 300. Insurance building, I've just level funded for the time being. We need to contact the broker for that quote. Then miscellaneous expense, I brought that down from 150 to 100. That's down 33%. Bottom line is the other expenses of this building are up about 3.4 as it sits right now.

Total budget increases up 4.9%. Capital outlay, I just level funded. I'm stuck at \$30,000 placeholder in there. I know you have desires on HVAC. You've got some money already for HVAC but whatever you want to do with this building in a way of capital, we need to define what that purpose is going to be on that one.

Rick: Mike, what did we use last year for the figure for the HVAC?

Mike: Thirty and it came in 50 and 60, I believe. You have the 30 on the books.

Cotuit Fire District
Prudential Committee
14 April 2014

Fran: It came over \$100,000.

Mike: You have 30 on the books. If you want to do a second bite at the apple, bring it up to 60, bring it up to 100, whatever you want but 30 is still sitting there. It's lawful and it's ready to go.

Fran: Actually, part of that is already gone. It was spent for the engineering.

Mike: We need to just finalize that before we put the budget to bed. Then that breaks right now for the level funding of the capital makes the total freedom hall budget about 2.25% within that 2.5 range. Labor's up to 27. Other expenses 23,500, 25,000. Capital 30,000 for a total of 56,225. Three-year increase from '12 to '15 is actually down because there was substantial capital net year and the total appropriation was 70,000 in eight years.

The distance between the 1270 and the 1556 is about 20% less and on average, it went down 28 in '13, up 10 in '14, now 2.25. Its average annual increase over the last three years is down about 6.5% per year.

The next one is streetlights '13. Historically, as you can see, you're seeing that topline it was streetlights and it was 30,000. We really have three component units in this budget. You have the cost of the electricity which I've stocked 20,000 as a placeholder. We have a maintenance agreement which was rebid and will take effect July 1 on our new LED lights. I need to plug a number in there that converts to that agreement which I didn't have access to one that was working on this.

Then we pay insurance on these streetlights and it's an extremely expensive insurance policy for what I consider to be little amount of coverage but it was under 4,000 last year and I've just stocked 4,000 in there. If you take the three component units of this budget, add them up as I've shown you, it's down \$1,000 as a placeholder for now. It's subject to change based on what we find out about the new contract for maintenance effective on July in the new insurance policy and the new energy cost. It's more articulate now in its presentation. You can see the pieces that ...

Rick: What's your recommendation, Mike with respect to the streetlight insurance? Is that something we should consider dumping which would give us a considerable savings

Laurie: Can we or is it part of the contract?

Cotuit Fire District
Prudential Committee
14 April 2014

Mike: I know of one other district that isn't buying streetlight insurance like that. They just say it's general liability. This coverage is specific for liability and property damage by our streetlights on some persona property. If the streetlights turn into Walt Disney and go marching through the village slashing and burning people then they might create havoc that would require insurance coverage.

Laurie: ... or even the next hurricane

Mike: ... or damages of vehicle or a home.

Fran: It has to come off the pole, right?

Mike: Correct. We don't own the pole. We're only insuring the attached lights on the pole. If the pole falls, we have a claim for the damage for our light as far as I'm concerned. It broke my heart to pay that bill this year. It's worth a conversation.

Library funding.

Rick: You probably shouldn't sit down for this.

Female: I'm not going to talk.

Rick: Oh no, I think its best that you don't sit down at all.

Laurie: It's fine.

Male: You want to save this until the end?

Mike: No, we can let the record show that the member of the Prudential Committee recruits herself.

Male: Let the record reflect that Laurie Hadley is an employee of the Cotuit Library and because this issue is dealing with funding of the library to ... You got to leave the room.

Laurie: I'm going to leave the room.

Mike: We'll call you back. We're rolling you out of here, Laurie. It's the only time I'll ever do that. she leaves the room to protect her interest.

Fran: She has to leave the room.

Cotuit Fire District
Prudential Committee
14 April 2014

Mike: This village has a tendency to push the envelop. Leaving the room is the appropriate methodology to avoid a conflict of interest.

Rick: Agreed.

Mike: In this case, I've again just cranked a placeholder through a 2.5 increase. As you can see, it's the same as true for these budgets. It was up 11.67 in '12. It was up 15% in '13. Last year, it was up 1.57. I've stocked a placeholder in up to 2.5 rate. The three-year increase from '12 to '15 is up 20%. The average annual increase for the last three years including '15 would be 6.36. In the last four years is 7.68. It's trending a little bit down. It's more in line with what the reasonable expectation is. It's certainly yours to have and do with whatever you wish to do.

Rick: Thank you.

Mike: Now, go get Mrs. Hadley. Article 15, principal and interest. This one's pretty straightforward. We have an issued bond which is a fixed and funded piece of debt. The first two line are the scheduled principal and interest payments per the agreement with the bank. As you can see the principal pretty much stays steady. It doesn't drop but the interest comes down because the structure of a typical geo government offering type of bond is that it's a declining stable principal interest on the outstanding balance is down each year by the amount of the principal paid the year before. Our interest on our bond in debt in this is down 3.1%.

Now, I think it was at our last meeting you voted to sell notes. We saw the money April 10th. We had budgeted to pay down 55,000 on the 275 that we spent for the roads. We did that. We plan to pay another \$55,000 for four more years. This year we just issued in April another 200,000 for the mains on Main Street. It's our expectation we'll pay that down over a five-year period. The appropriation for short term principal for fiscal '15 is 55 and 40 for a total of 95. That's up 73%.

The short term interest in the current budget, there's \$1650 for the interest on the \$275,000 note. That was 60 basis points or six-tenths of 1% of interest expense. The 2100 that you see there in fact, the 2,000 that was also 350 for short term interest associated with abatements because technically we have to pay interest if people claim it. I haven't put any abatement interest in the 2100 because I wanted to show you the total budget as the water department expense. I would propose that the next time I'll put 350 in for the short term interest associated with abatements in addition.

Cotuit Fire District
Prudential Committee
14 April 2014

The 2100 will be for the water. I think I'll throw another line in this document just so you can see, get the visibility on and the members of the voting body of the district whole associate. That's up 5% before I put the 350 in. Our total cost of debt service for capital outlay for fiscal '15 is up 16.54%. A total of 267,700. As you look at that, a lot of this debt has loaded on in the last couple of years. It is a three-year increase from the '12 budget of 176,900 to the '15 budget of 267,700. It's a 51.3% increase. There's no reason to believe it's not going to up again next year because we have one more water funded project in two.

It will go up again next year and in two years it will begin to drop because we'll have paid off the 55,000. The following year will go down again because we'll have paid off the ...

Rick: The additional.

Mike: Right, and then it will taper down unless you add new projects in. The more we can do this and as an aside, I championed this legislation. It's pending everywhere I go because there is an effete at the state house to amend the state law that only lets us do five years of bond anticipation note. If they let us go to 10, it would be an incredible savings for small issuance like yourselves.

The bill has had pretty good legs so far this year in this legislative session. The DOR supports it. The MMA supports it. Everybody I speak to supports it but ...

Rick: If it's going to be done in the house.

Mike: Yes. If that happens then we'll be in a much better place as it relates to our cost of debt because we can continue to play the short term notes and use this very low cost interest rates and get them off our backs and avoid the cost of issuance, avoid the SEC disclosure cost, avoid the issuing the payment and just get out of bond business if we can. That will be up slightly just because of the abatement interest anticipation.

Article 16, this is the employee and other postemployment benefits. This is a work in progress as well. I spent a bit of time in on it. I anticipated it will moderate slightly. I'm going to give you this. This is the handout we used last year and it will be cleaned up and finished by the time we meet again. This is the template for the development of both the departmental benefits costs and the postemployment benefits costs and the gross benefits costs.

Cotuit Fire District
Prudential Committee
14 April 2014

There's shaded tabs. Some places I've put a placeholder in because I want to get it working. I also need to ... There's still a lot of misfiring insurance issues that I want to make sure all clean coming out of '13 and '14 and good for '15. You can see it breaks at the water department. It breaks at the fire department. It totals the total employees and then it calculates all of the retirees. There's a new law on the books that's been affecting us the past couple of years.

The state, if you may recall did some major work on employee benefits. One of the things they did was they set a reimbursement law in place that mimics the chapter 32 pension benefits law. As an example, I retired from the town of Plymouth but I had serviced in Falmouth. Falmouth's retirement system pays a portion of my retirement benefit to the town of Plymouth who pays me everything.

They set that up with health insurance and we actually have a former employee who's a retiree of Mashpee that we get billed for a piece of the cost of that retiree's postemployment benefit from Mashpee. That's going to happen now as we move forward. I'm still building this but the numbers you see in this document, the budget book tie back to this template I do see the water, Chairman. Your game plan for '15 is to run concurrent office manager employees? Yeah, because they can't hear you very well if you don't speak loud.

Fran: You have to turn the microphone it on.

Mike: The model I'm working with has built in two benefits. Presumably the current employee is just going to convert to a retiree and continue enjoying benefits. The new employee is also going to be on the books and has access to benefits. Do you know when you intend to put the new person on the payroll?

Rick Kiley: July.

Mike: July 1? Do you know when your employee is set to retire?

Rick Kiley: October 14th, 15th.

Mike: We need to carry two full employee benefits packages into the budget season in anticipation of this because one is just going to turn into an OPEB cost and the other is going to stay an employee cost. Thank you.

R Kiley: Just one note on that timeframe, the two employees won't be working in the office for that full 120 days. There's actually some vacation time that the current

Cotuit Fire District
Prudential Committee
14 April 2014

employee will be taking. Towards the end I believe it's in September or October. It's maybe 60 to 90-day overlap of actually physically working in the office.

Mike: Thank you. That was mainly focusing on the benefits. If you look halfway down that work paper that you have you'll see new employee water. That is funded at a high estimate to be on the safe side. The other water employees listed next year when we look at this that water employee would be down below. On my chief left and he just had an employee retire as well. I need to do the same thing with that. This template needs some more work. The next time we meet, we will have this tuned up and tied out to the pen and it will flow right into the budget book.

I think it's built for argument on right now. It should hopefully come back off not go back up as we find to all of these costs. We'll have both the same handout for the benefits we gave out at the district meeting last year and we'll have the same budget book. They will reconcile to each other.

Fran: Can I ask you a question? I just noticed that there's no budget for legal services for the Prudential Committee or the district or where is that?

Mike: There is. It's in the finance department. Can we just finish and I'll go back to show you?

Fran: Okay.

Mike: We're at the very last page. That is a general fund transfer to stabilization. Historically at least in the last four or five years, you put 25,000 into the stabilization fund. That's the way I've shown it. If you intend or want to change it, that's entirely at your discretion as well. That's the first walkthrough of everything that we know about. As far as the question, Fran, it's \$10,000.

Mike: Yes, it's on three of '13 and it is third expense item at 10,000 level funded the same as within the past four years.

Male: How are we doing on that, Mike? It just seems in light of all the [inaudible 00:58:04] around here, I'm surprised that we ...

Mike: That line item right now hasn't been touched year to date.

Male: How this must be drove and paid?

Cotuit Fire District
Prudential Committee
14 April 2014

Mike: It hasn't billed. I don't know if he's been used. There are line items for legal and other departments as well. If you use an attorney, your budget gets charged. If the fire department uses an attorney, their budget gets charged. If the water department uses an attorney, their budget gets charged but you have not used a dime. It's what's helping keep that department afloat because the unemployment is ravaging us. To answer your question, the board has used zero or he hasn't charged us.

If you look on the budget report I gave you, at the start of the meeting I gave you an up-to-date through whatever we've expensed in April. That line item last year was 13,739 and the year before was 943750. It's markedly improved whatever you were expensing and incurring expenses on has just gone away. You can look at that budget report that I gave you, I tried to give you every meeting. You can see the same line in the fire budget, you can see the same line in the water budget for your total legal cost.

Rick: You just did a great job on this one.

Mike: No but I will have that for you and I'll have all the funding sources, balances the next time we sit.

Rick: This is essentially the show that you're going to put on tomorrow night as well to the ...?

Mike: If that's your pleasure.

Male: What do you guys think?

Fran: Yes.

Rick: It's concise. Do you need me to get some copies together for you?

Mike: I'm off Cape all day tomorrow so I'm flying in from North of Boston in time for the meeting. I have no idea how many to expect for tomorrow evening.

Rick: 50.

Laurie: Yeah, but print both sides of the page.

Mike: Can you use that one? Did you write on yours?

Rick: I did.

Cotuit Fire District
Prudential Committee
14 April 2014

Laurie: So did me.

Mike: I can have Tony do it.

Rick: That's fine too.

Mike: How many do you wanted to make tomorrow?

Rick: I'd imagine 50.

Laurie: Anything we don't use

Mike: It will be useful after tomorrow night. Do you want me to run off 50?

Rick: To be on the safe side, 50 would be ...

Mike: I'll leave Tony an e-mail or a voicemail to make 50 copies tomorrow night. At this point, we've got a pretty good handle on everything. Somebody gave me ... see if I can find it, a petition article that looks to expend 235,000. I think what I may do is go back to the office, put that into the template before I go home tonight. Print off a new copy and leave it with Tony so that tomorrow night ...

Rick: Something like a refresher document.

Mike: If you've do a quick, down and dirty, the increase in the tax levy ... If this is going to come from levy would be \$235,000 regardless of whether it comes from levy debt or other available funds. The article appears to be written to transfer, borrow and or raise an appropriate. It would be lawful for a motion to be made using any one of the three. It would be lawful to appropriate up to 235. It cannot go higher than that the way they are petitioned.

This petition article must be put on the warrant but as it was written. If there's a defect in it, we can't repair the defects. It's got to go the way it came in. I haven't looked at it to determine whether or not there's a defect or not but as Mr. Bodreau.

Female: I believe they did.

Mike: There may be a bill pending.

Rick: There should be some bills pending.

Cotuit Fire District
Prudential Committee
14 April 2014

Mike: The 235 will drop that into that sell under article 18 and that will ratchet us up to about 4.6 million dollars of total appropriation as it sits tonight. Then I've pretty used the free cash that we've historically been using. We're trying to wean ourselves off of that because we're not manufacturing it. I'm at the 600. I don't think free cash would be an appropriate source of funds.

The debt would be one. I'm not clear from the article what it is. It's going to go other than the easement which ...

Rick: Conservation restriction.

Mike: It's really an easement. It's easier understood for the laymen when it's referred to as an easement. On my fixed asset schedule, I have a net asset presentation in the balance sheet so \$235,000 of net asset goes. I'm curious what we're going to acquire as far as net asset value. It's going to come back on the balance sheet. It doesn't strike me that there's a quick protocol for this. That will be explained presumably as time goes on. The only thing I can tell you is that I'll drop this in tonight before I head home and be in there for the discussions tomorrow night and at your meeting on the 24th, two weeks from tonight?

Laurie: Yes, 28th.

Mike: 28th. I'll put this in. I'll print a clean copy. I'll leave it for Tony. I'll have him run off 50 copies and somebody will pick it up and bring it tomorrow night. That will be that. This will be up by \$235,000 on tomorrow night. Then the debt would be if you're going to propose issuing debt then that would roughly track similar to those to water projects, something on the magnitude.

Rick: What would you suggest to do doing with that?

Mike: I'm not sure I'm suggesting anything at the moment. I'm not ... [Crosstalk 01:05:29]. Ambulance is scheduled to be use free cash because that's a normal capital outlay item. This is a [inaudible 01:05:36] capital outlay item that came in outside of the ... The water department gave us their capital plan. The fire department has a capital plan. This is an add-on.

Laurie: I get that.

Mike: The main thing is we need to understand what the net asset values that we're going to acquire and how that has been calculated because if you're going to take assets off our balance sheet and replace it with ... If you buy land, the land comes on. You buy 225, it doesn't appreciate; it doesn't depreciate. It just sits

Cotuit Fire District
Prudential Committee
14 April 2014

there at book value. An easement or a right to use somebody else's land needs to be valued.

Normally, charitable organizations and I guess I should disclose that I was the second treasurer of the Barnstable Land Trust when it was called the Barnstable Conservation Foundation, I took over from [inaudible 01:06:32] back in the '80s. I'm a dues paying member of the Barnstable Land Trust. Normally, these things are acquired by a municipality or a trust if you will and the person who gives it gets the money because the diminished value goes down or they get a tax break because they took less in fee for the title exchange and therefore that's considered a charitable contribution.

If a land trust is buying the land, then it's already in perpetuity for conservation purposes. I'm struggling with what the district is actually buying and it's \$10,000 of paralegal fees in this article as well which you haven't spent a dime on legal fees and now you got another appropriation of 10,000 more. Maybe you might want to put your own cost of the legal services. \$10,000 seems exorbitant for drafting an easement.

However, all I'm saying is our balance sheet is going to be either up or down on net asset value as a result of this unless we get something of value for the same equivalent dollars net of the cost of the legal services. We should be seeing just a swap of value from our balance sheet cash to our balance sheet land or use of property. I'm not sure that ...

Rick: We're going to see that.

Mike: No, but if we see a document that says our water department can drive a well on that land, can build a pump house on that land, can bring drainage into that land so that they control the quality of the water, now maybe we have something of value. We're just going to get a promise that it's going to stay conservation.

Rick: They already did that.

Mike: Quite honestly, taxpayers in the town of Barnstable ...

Rick: ... were already paying.

Mike: Unless you can find me some quick protocol for \$225,000 then I'm going to suggest that your balance sheet is going to be adversely affected. Basically, you're going to get nothing. I'm going to be looking for something of value in the area of \$225,000 to put on our schedule of fixed assets along with all our

Cotuit Fire District
Prudential Committee
14 April 2014

property that we own and any other interest in land that we own. If we're not going to get something then I would suggest that you might not want to do this.

Rick: It's not us doing it.

Mike: I understand but you're going to recommend ...

Laurie: I've had very mixed feelings about it because of the costs.

Mike: That's the beauty of democracy. The bottom line is this will now reflect another \$235,000 of appropriation request and it will begin to exceed 4.6 million. You're getting it big. If you have any other questions, I'd be happy to respond to them. Other than that, I think I pretty much covered what I had for you. As far as I'm concerned ...

Rick: Do you want to head out of here so you can pump up stuff into the computer?

Mike: It's up to you. I'm with you, guys. If you still have

Rick: Do you have any questions?

Fran: No, not now.

Rick: Laurie?

Laurie: No.

Rick: I think we're good, Mike.

Mike: Can I work with you a little bit on freedom hall over the next week or so? I'll try to chase down the Compact people to get all this electric info but I may need you to chase ...

Rick: Make the call. Actually, I'll be in the [inaudible 01:10:14] tomorrow so maybe I can duck in there and see what's going on.

Mike: If you can drill up anything both I'm interested in the cost of our maintenance on the new streetlights, the cost of our electricity from the streetlights and the net change in the base cost of electricity for the fire, water and freedom hall accounts. Two are from one and one are from another, I believe. Then we'll follow up later on in a week or next week to try to tell you it was all down.

Cotuit Fire District
Prudential Committee
14 April 2014

Rick: Sounds good.

Mike: I'll work with Tony to finalize the benefits. I think we're in pretty good shape.

Rick: Thank you, sir.

Mike: We just got to pay for it.

Rick: Yes, that's it. Fran, the recording system. We got some issues with that?

Fran: No, it's just about for the annual meeting. I didn't know we have four microphones. Charlie says that's what you usually use for the meetings in the past. Two microphones on stance and then pass the other two around. I didn't know if we wanted a fifth microphone.

Laurie: Do we have to purchase it or can we rent it from them for the night?

Fran: I didn't ask about renting it. I don't think we can rent it because it has to be installed.

Laurie: I was just thinking ...

Rick: Why don't we just see how it goes for this meeting and if we need another one, you guys can vote on it next year.

Fran: Does anybody know how much they charge the guy from Mashpee was charging to do this?

Mike: I don't. I can check it.

Fran: That's okay. The gentleman that installed that will come and do the recording for the evening for the annual meeting. We probably need a new sim card or a thumb drive that has more gigabytes on it than what we have to be safe. We need to buy one of those.

Mike: Before I lose you ...

Rick: I can hear you.

Mike: ... can I ask you to take a look at this website thing with me and maybe we can nail down the numbers for that and I can plug in to this update that I'm going to do when I go back to the office? She's showing that ... Forget about 14. She's

Cotuit Fire District
Prudential Committee
14 April 2014

showing a 2690 projected expenditures and an additional recommended 1350.
Are we going for the whole enchilada?

Laurie: I think we should.

Mike: 2690 and 1350?

Laurie: I think we should for this cost is simple because we don't know what needs recording ...

Fran: Some of those are just updates to the system.

Mike: Two hours per month to process upload LinkedIn post audio and or written.

Fran: That we need to do.

Mike: That's 1800 bucks. A year of Libsyn subscription for 240 and website hosting and support of \$650. Then additional recommended was reconfigure fire, water and prudential pages to consolidate all meeting minutes, agendas and recordings is \$600. It's three state website page itself. Then change the site design to make it responsive and able to be more easily read on any device including phones, tablets or computers for 750.

Rick: I would say we go for the grand enchilada and we just see ...

Mike: This will be our baseline here to determine ...

Laurie: I think of these things are going to ...

Mike: Next year it would moderate. I'm going to plug this too into that along that finance department budget.

Fran: Also the monitoring system for here for the smoke detector is only \$300 a year.

Mike: You want me to drop that? Hold on one second. Let's go back to our little handouts. Let me mark this up in case I get hit by a bus on the way home. We're going to go to page three. Wait until June? We're going to go to page three in that line that I have website services that has \$2,000 in it. I'm going to change that to 2690 plus 1350. That's 304 off.

Cotuit Fire District
Prudential Committee
14 April 2014

Then you had said on the freedom hall line, we can drop the alarm down to 300 bucks. That's on page eight. Instead of being 1100, we're going to change that to 300.

Fran: That's why we changed the service.

Mike: Anything else? You and I worked a little bit more to firm up the freedom hall and Rick and I will chase the electric stuff. I think we're in pretty good shape. Take a good look at this. Find anything you want to beat on or talk about and get back to me before our meeting on the 28th so that we can get it into the template if it's something we want to get in there.

Laurie: Charlie, when is your appointment? Is it this year?

Charlie: Yes.

Rick: We don't have any minutes from 3/24.

Laurie: No, we do not. Mike set changes and I lost them and he send it but I couldn't find changes in it.

Rick: You need some time on that?

Mike: Yes.

Male: Other than that, anything else by the board?

Fran: Motion to adjourn.

Male: Second. All in favor?

Fran: I.

Mike: Thank you.

Rick: Thank you.