

Budget Coordinating Group
Minutes
December 1, 2008

Location: First Floor Meeting Room, Town Hall

Attendance: Andy Churchill, Rob Detweiler, Patricia Holland, Chris Hoffman, Bonnie Isman, Brian Morton (co-chair), John Musante, Stephanie O'Keefe, Catherine Sanderson, Larry Shaffer, Andy Steinberg, Helen Vivian, Gerry Weiss (co-chair)

Others present: Elaine Brighty, Alison Donta Stan Gawle, Martha Hanner, Bob Saul, Walter Wolnik

The meeting convened at 12:35 pm and was chaired by Brian Morton.

Brian Morton and Gerry Weiss were re-elected as co-chairs.

Andy Steinberg, BCG liaison to the Fiscal Choices Coordinating Committee (FCCC), introduced the FCCC co-chairs, Bob Saul and Martha Hanner, who presented the final report of this group, which was called for and developed by the BCG. Report and discussion included the following:

- FCCC has “left the controversial decisions to the decision-makers.”
- The problem: level services increase by about 6%/year, while revenues increase by about 3%/year. Result: a serious and growing budget gap - \$2.6 million in FY10; \$10.2 million in FY14.
- Events overtook the group – fiscal conditions have deteriorated since they started. If state aid is cut by 15% in FY10 (which happened in previous recessions), the FY10 gap is \$5.2 million.
- Reduced original 5 scenarios to 3: level funding, level services, and priority restorations.
- FCCC recommends the level funding scenario, due to uncertainties. This scenario assumes current revenue stream plus Prop. 2.5-allowed increase, fees increase 2%, state education funding increases by 1.5%, other state aid flat, and no use of reserves.
- There is a disconnect between what public wants (level services or better) and the revenue picture.
- State aid is about 28% of town's overall revenue.
- Town should define a “core budget” to fit anticipated revenues over next five years.
- An override will be necessary in the next 5 years. However, it's not sufficient by itself.
- FCCC members were split about details of override:
 - Don't do it now – that will prevent painful cuts
 - Do it now if state aid drops, say, 15%
 - Do it now to cushion blow for service cuts, esp. schools
 - Menu override option – seems to have more likelihood of passing
- No discussion of overall tax burden trends in report – committee felt this was too much to handle, brings up other issues like how much Amherst pays relative to other communities, may be part of later discussion if override is considered.
- Variety of revenue options:
 - Economic development – Slow, but permanent tax base improvement. One piece of puzzle, but only a piece. Need to show citizens the benefits of economic devel.

- Meals tax/increase lodging tax – Meals tax could bring in \$1M
- Fees – Could be palatable in time of crisis – increases have been very moderate over time. Fees can preserve individual programs, but would have a very modest impact on the overall deficit.
- PILOT (payment in lieu of taxes) – Tough times for colleges/university, too, but other towns have bigger contributions from their institutions. Cost-accounting process is hazy. Need to have mutual benefits for both sides. PILOT applies to both public and private non-profit institutions. Have independent cost-accounting firm do calculation of costs of providing services to colleges.
- Core problem is property tax. Half of Amherst is non-taxable. And the property tax burden doesn't track with income.
- Need to hold personnel increases in line with projected revenues. 86% of costs are personnel-related. Health insurance costs increased by 90% between 2000 and 2007; last two years, the costs have been more under control.
- Pension fund/Retirement fund liabilities are “potentially apocalyptic.”
- Town should look at its capital allocation.
- Neither cuts nor an override are the sole answer.
- The challenge is to reduce the slope of increase on costs and increase the slope of increase on revenues.
- Full report includes verbatim comments from survey/response forms. Available at www.amherstchoices.org and on the town website.
- People want higher services while we're making cuts.
- We've talked about making cuts in the past, but then they didn't hurt.
- Five-year viewpoint is helpful – shows the gap over time.
- Questions about whether the survey was representative or not.
- BCG thanked the FCCC for all its hard and dedicated work.

Finance Committee guidelines – correspond to Level Funding scenario in the FCCC report. Overall operating budget increase of no more than 2.1%. Suggested:

- 2% increase for municipal
- 2% increase for elementary schools
- 2% increase for libraries
- 3.5% increase for regional schools

Last year, included health care progress, COLAs, new revenue from UMass, some cuts, some use of reserves (\$400k).

Last override, predictions were made about what would happen if it didn't pass. It didn't, but most people don't see the pain. Which has inflamed cynicism. Managers try to cushion the blow, manage change, not inflict as much pain as possible. But it's a problem. Menu override as option: some programs seen as easier to fund that way than others, can be divisive between different constituencies (parents vs. elders, etc.). Maybe should put together a core budget and have borderline items on a menu override for citizens to decide whether they want to fund. Some will claim core things are on menu, while nice-to-haves are buried in the “core”.

Budget schedule/issues:

- Governor's budget due in late January
- State tax collection reports will be out later this month (December). Potential for mid-year (current budget) cuts
- Property values largely holding value in town.
- Schools have virtual freeze on hiring. Planning two budget scenarios – 0% state aid increase and 10% state aid cut.
- Library doing series of dept. head presentations, as SB did. State cuts to date eliminated matching grants for fundraising, some other small cuts.
- Municipal – not filling some positions, considering asking to use reserves if there are mid-year cuts this year.

Discussion of how the town can look across budget categories at the full budget. Town government not well structured for global decision-making. Finance Committee could present a balanced budget that makes these choices, but not sure it should – elected bodies should have input. Select Board has talked about whether it should make allocations. Perhaps BCG could play a “horse-trading” role. But is this in its charge? Communications and consensus-building body – have discussions about where to go from here.

The next Budget Coordinating Group meeting will be on January 12, 2009, at 12:30pm.

Respectfully submitted,
Andy Churchill, School Committee