

Budget Coordinating Group
Minutes
January 12, 2009

Location: First Floor Meeting Room, Town Hall

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

Others present: Walter Wolnik

Agenda

1. Public Comment
2. News Affecting Budget
 - a. FY 09 Potential Mid Year Local Aid Cuts
 - b. FY 10 Potential Reductions in Local Aid
 - c. Potential Strategies to deal with A and B
3. Reaction to FCCC Report
4. Member Reports from Home Committee/Board
5. Review Minutes
6. Date for next meeting

The meeting convened at 12:35 pm, chaired by Gerry Weiss.

Public Comment

Walter Wolnik asked three questions.

- 1) What is the status of the Blue Ribbon Committee and when is it due to issue a report?
John and Larry responded that the data gathering and analysis is basically complete and that the report should be issued sometime after the end of January.
- 2) An Op Ed in the Bulletin made it appear as though the Library Trustees might not be willing to bite the bullet and make necessary budget cuts, he requested a response.
Pat Holland stated that the Trustees are meeting to discuss the situation and that the Op Ed piece was written by an individual trustee and did not necessarily represent the trustee’s position as a board.
- 3) A recent article by Diane Lederman made it appear as though reorganizing the Elementary schools was off the table for now and he requested a response.
Helen Vivian responded that it is still on the table but the cost savings are only estimates and only get the schools part way to the cuts required. More discussion will take place at the next School Committee meeting on 1/13.

FY 09 Potential Mid Year Local Aid Cuts

Last fall when the first round of state budget cuts occurred, state estimates for revenue for the remainder of FY 09 indicated a shortfall of \$1.2 billion. Last fall’s cuts avoided local aid, and officials in Boston expressed a desire to solve the State’s problem without affecting local aid. At the time, the Mass. Taxpayers Association estimated that revenues would be short by an additional \$700 million. Tax collections since October have continued to decline and new revenue estimates for the remainder of FY 09 indicate an even greater additional shortfall of

\$900 million to \$1 billion. As a result, Governor Patrick has asked for expanded 9C authority to cut the State budget and Local Aid is on the table for this second round of cuts. Approval of 9C authority could come as early as this week or next week

John prepared a spreadsheet showing potential cuts under three different scenarios and how it would affect the bottom line.

- 1) A 5% cut in Chapter 70, Lottery, and Additional Assistance would result in an estimated reduction of \$815,304 for Amherst.
- 2) A 10% cut in Chapter 70, Lottery, and Additional Assistance would result in an estimated reduction of \$1,630,607 for Amherst.
- 3) A 17.5% cut in Lottery only, which represents the amount that would be distributed to communities if the distributions are limited to revised available Lottery revenues, would result in a reduction of \$1,717,880 for Amherst.

These estimates are for Amherst only and do not include the Regional Schools which serves to exacerbate the problem. Should a midyear cut in local aid occur, the state would likely allow towns to end the fiscal year with a deficit that would have to be resolved in the subsequent year's budget. John prefers to deal with the cut within the current year budget.

Options to deal with aid cut

The spreadsheet outlined several options available to mitigate an aid cut as follows:

- 1) The town received an unanticipated MSBA grant reimbursement for the Wildwood School roof project in the amount of \$550,000. Normally, unanticipated revenues close to Free Cash at the end of the year but given the circumstances, we could choose to appropriate it to help cover the aid loss.
- 2) The Health Claims Trust Fund is in extremely good condition for a change. Currently, the fund is showing a balance of \$3.2 million, which is well above the 18% of annual claims the State requires us to maintain. This provides room for a potential payment holiday, meaning that the employer entities and the employees could skip one month of premiums amounting to a savings for the Town of between \$500,000 and \$750,000.
- 3) Savings from vacant positions could help as well. Positions slated for shedding in the FY 10 budget that are currently vacant are being left vacant.
- 4) Identify efficiencies available while monitoring expenses greater than budget. Currently, Snow and Ice is out of money due to the rising cost of supplies and the number and timing of winter weather events so far this season.
- 5) A reallocation of funding for Capital projects completed under budget or a re-evaluation/deferral of projects authorized but not begun could provide some relief. Additionally, if the Federal Stimulus Package includes funding for shovel ready capital projects and if any of the \$13.5 million in projects submitted by the Town, Schools and Libraries is approved, some of our already authorized projects could be completed with Federal money thus freeing up funding from Capital that can be reallocated to help with an aid cut.
- 6) Use of reserves which currently stand at \$4.4 million. John stated that he would prefer not to use reserves further for FY 09 due to the expected Local Aid cut of 10% or more for FY 10.

A discussion ensued about our situation and the options.
What is Town Meeting's role in the process at this point?

If appropriations occur such as reallocating Capital funding or using reserves, Town Meeting approval would be required. Administrative actions such as leaving positions vacant or allowing a Capital appropriation to lapse would not require TM action.

Larry stated that the Town would not deficit spend for FY 09 and that administrative action would be taken very soon in order to achieve savings.

Rob stated that the Region expected to avoid deficit spending but might have to use some E&D (reserves) to meet expenses even though it would not be desirable. He also stated that the HCTF payment holiday would benefit the Region by roughly \$340,000. He did not address the Elementary Schools.

Bonnie stated that the HCTF holiday would help the library but that they had already been hit in the first round of cuts because only half of the library aid the state had allocated was distributed and the remainder was cut.

FY 10 Potential Reductions in Revenues and Solution Options

What we are hearing from Boston is that Local Aid for FY 10 is likely to be reduced by as much as 10%. This is not a firm number yet but indicates that the Finance Committee guidelines allowing a 2% increase will require modification soon to reflect what we are hearing from the State. This is in keeping with the provisos included in the original guidelines document.

A 10% aid reduction at the state level translates to roughly \$1.7 million to the Town, Elementary and Library budgets and roughly \$1 million to the Region.

Additionally, John is reducing estimates for some local source revenues including New Growth, Interest Earnings and Motor Vehicle Excise Tax.

The timeline for new tax initiatives to begin generating revenue IF any are passed by the State varies but is generally not expected to generate much for the FY 10 budget with the exception of the telecommunications loophole bill which could generate as much as \$250,000 for Amherst.

Of more immediate value would be legislation allowing Town's more control over costs such as health care by allowing the Town to manage its plan offerings independent of collective bargaining, as the State is allowed to do.

Early retirement was brought up but Larry and John pointed out that unless a majority of the positions vacated are left vacant, the savings from the first year or two are soon eaten up by paying for the benefits for multiple people resulting from the same position, and from the normal salary schedule increases in excess of recurring revenues.

Other strategies available and mentioned include cuts to core services, use of reserves, local option taxes (which may be on the state legislature's table), and possibly an override.

Additionally, the federal stimulus package may provide some relief if it includes funding for local infrastructure projects.

Reaction to FCCC Report

- Shame that more public input did not result from the process – it seems as though for the most part, responses were from the same “cast of characters” we normally hear from - not as broad a spectrum of the town as hoped for
- Seemed to be a disconnect between services people desired and how to pay for them

- Ranking the revenue options produced the obvious “let someone else pay first” reaction and did not necessarily provide the best information on people’s willingness to pay
- Survey was admittedly not scientific and the results should be taken with a grain of salt
- Preliminary budgets coming out in the next week or so may provoke additional input and if cuts have to go deeper, that may bring about even more public response
- Report laid out the problem clearly and that there is no magic bullet solution – Solution will have to be a combination of a wide variety of initiatives
- Substantial cuts combined with reorganizations will have to be part of solution
- Are we doing all that we can do and can we prove it, to assess programming and cut costs/operate more efficiently before asking for an override
- Need to present budgets with “core” values included but what defines core
- Reallocation between budgets may have more pressure this year but everyone needs to be prepared to identify what will be lost in one budget to allow a retention in another
- “Core” is subject to individual interpretation
- FCCC recognized that employee compensation is a significant driver in budget increases

Next steps:

Andy C -Meet after the Governor’s budget is released to assess how big a gap we are looking at and to what level various options can be utilized

John - During February, BCG should be looking at big picture i.e. how much of the gap can or should be handled with cuts, how much by reorganization, How much by reserves etc. Then that discussion should be taken back to member boards for further discussion and input to the BCG

Brian – any discussion of reallocation between budgets should be among all four boards and committees and not left to one board or committee

Larry – Town is shedding jobs, looking at reorganization and regionalization of some services as ways to potentially handle provision of services with less revenue

Bonnie – Libraries are looking at what services they currently offer and what they can offer with reduced revenue – also looking at some fee for service initiatives

Catherine – schools can look at fees for services and reassessment of what constitutes core program offerings

The next Budget Coordinating Group meeting will be on February 2, 2009 at 11:30 AM.

The meeting dissolved into individual discussions at 2:22 P.M.

Respectfully submitted,
Brian Morton, Finance Committee