

## MINUTES

### Call to Order:

Meeting called to order by Ms. O'Keeffe at 6:32 p.m.

### Attendance:

Present: Alisa Brewer, Aaron Hayden (Clerk), Stephanie O'Keeffe (Chair), Diana Stein, Gerry Weiss, Larry Shaffer (Town Manger), John Musante,(Assistant Town Manager/Finance Director)  
Brian Morton (Chair Finance Committee)

### SELECT BOARD'S ACTION

This meeting is for budget discussion only. It is our 1<sup>st</sup> discussion, and certainly not the last, and should cover a broad overview with brief questions and brief answers.

Larry Shaffer presenting budget – which has some new ideas for revenue and spending and follows the Select Board and Financial Committees' recommendations. In any other year Mr. Shaffer would have been very satisfied with this budget but anticipated cuts in state aid will mean it has to be looked at again.

This budget has an innovation and includes some new sources of revenue. It also includes a 3.2% spending increase which is more than the 2% recommended by the Financial Committee but the new revenues keep the tax impact to 2%.

The Town Act requires the Town Manager to create and present a budget to the Select Board by 1/16, This 200 page document is that budget.

The most important change this year is in the payroll.

To get the 2% tax increase while supporting a 3.2% increase in spending:

By moving funding for the Human Services out of the general fund, which supported by taxes, into the federally funded CDBG we can realize a large savings of about \$66,000. Roy Rosenblatt found 3 programs that can be funded by CDBG; Survival Center, Big Brothers/Big Sisters and, Family outreach. The program directors have all endorsed the move.

This budget responds to the needs of people in community. This proposal gets good programs attached to outside funding streams - Transitioning good programs to outside funding sources helps save monies for other needs in the community. This past year budget surpluses were used to fund work on new survival center, \$10k was used to study homelessness in Amherst, and the 20k gift from Amherst College was used to support the homeless.

John Musante noted that this funding shift confronts the sustainability issue facing town - supporting these efforts from general fund is not sustainable as costs rise faster than revenues.

The funding shift helps meet the Financial Committee's goal of keeping the tax increase to 2%. Also drawing on 2 new revenue sources that are not tax based hold the increase down; increased ambulance fees will fund support of the Pubic Safety budget (increased support from UMass, the new ambulance agreements with the 4 neighboring towns, and a proposed fee increase are all supporting this new revenue). LSSE is reducing its need for subsidy by reducing programs, increased user fees and reducing staff.

Discussion: On the shift of Human agency funding – Last year we were told that there had to be a one year removal of Town funds from Human Services to be eligible for CDBG funding, is it a reliable source for proposed funding?

CDBG funding based on formulas the Federal government applies to us - We are a “mini-entitlement” community and so we do qualify. Also the census correction will improve the CDBG formula and it seems likely that the CDBG will be in Fed stimulus package.

Plan has been discussed and approved by CDBG agency in Boston and by groups receiving the funding.

CDBG rules require it to support only new programs – While services similar to what these three programs already deliver the new programs are different enough to allow CDBG funding. The programs have been OKed for CDBG funding by State.

The Cot program will be getting money from regional grant so we can continue to use service even though it is not funded in this budget.

CDBG funding will be approved before Town Meeting has to decide on the budget.

Comment: There is better communication this year on the budget than ever before. There is some concern with having some Human Services under an umbrella org since other umbrella organizations have imploded. The Town doesn't support programs directly but does contribute umbrella funds. Are there more programs that can be moved into the CDBG? What is deadline for creating new programs to fund, we should try add programs to it.

Discussion: 3.2% proposed budget increase is more than the 2% the Finance Committee recommended. The funding shift seems unfair since the schools and library can't do the same thing. Other budget makers are looking at their core services but, for example, the schools can't raise the fee for busing or kindergarten to decrease the tax burden of the schools. It also seems the library can't use fines for this either.

The Finance Committee asked hard questions about the additional revenues in the budget and the forecasts used as the basis for this budget especially as to how they relate to relieve taxation.

Does the shifting of these specific services suggest we just aren't raising enough money to support all the programs we want to? John Musante said that for services that cost \$600,000 last year, we have found \$400,000 in savings; thus tax support is less than one a one percent increase.

This is an area the Select Board could develop policy for.

Discussion: Specific questions;

LSSE – \$181k cut (includes a \$40k from eliminating one position). The tax supported Town subsidy will be cut \$140k. The LSSE programs will be cut and revised (small users, high cost, low priority will be shed) to make up the difference. This is a real game change but most of the 100s of LSSE programs offered are tax neutral. It is likely there will always be a subsidy but the closer to tax neutral the better. An analysis of LSSE budget will be available to Select Board as soon the rates for each program are determined. The report will include a program by program analysis of 20 criteria which will give a precise picture of what's going on.

LSSE expenses are well known but income is not so predictable. Tax support historically has been declining. Lowered costs, and increased fees allows LSSE to get more money from their revolving fund and need less from taxes.

It is important that programs are not simply being hatcheted out, rather careful budgeting is needed to keep the program going.

How subsidies work is not well understood today. It is important that Town Meeting understands better these subsidies and the Town Manager is working on creating material that should help.

Overtime – How is using overtime more cost effective than hiring new people – APD overtime might be equivalent to the cost of 6 new positions: A new hire has lots of new overhead costs that an employee on overtime doesn't have. The Town analyzes what the cost of an extra hire per hour employed vs. that same work done on overtime by a current employee. Of course too much overtime can overtax staff.

How can call volume of emergency medical service go up and while overtime goes down? By reorganizing staffing levels to use people more efficiently: The Fire chief can analyze and predict to some extent when more people need to be on shift and put them there on regular time rather than call them in on overtime. The Federal "SAFER" grant allowed us to hire 5 new fire fighters. (The grant runs out next year.) We have had extra people to put on shifts, staffing to 8 or 9 fire fighters instead of typical 7 which also reduced overtime.

There have been concerns by the way overtime is calculated: The Fair Labor Act has doesn't require the payment of overtime rates unless a certain weekly threshold is met. Are people getting paid OT who haven't otherwise worked the hours up to that threshold? The Town Manager will be forwarding a full report on this to the Select Board including an updated presentation of last year's staffing.

AFD has budgeted for overtime that is close to actual needs. The savings from this better use of overtime funds has been used to repair vehicles and other needed items. DPW has done the same with its sand budget.) What we see this year will be a real budget.

Enterprise fund reduction: - Most of reduction in the Enterprise Funds has come from debt retirement – they need less money to service debt. All the enterprise funds are generally needing less. Sewer and Water, Solid waste, Transportation all in good shape (though Transportation does have some challenges).

Water consumption is really driven by irrigation not individual use. This year was a wet year reducing the need for irrigation. UMass has increased their use from their lowest use.

The Transportation fund is not sustainable in long term. We will have to change how it is funded: rates need to be investigated. (Note the Select Board has to approve any rate change.)

FCCC report suggests reducing unfunded pension plan requirements – we to resolve this issue. Right now the Health Insurance Trust fund is in good shape (the Town is self insured). The next strategic goal is to migrate to the State General Insurance Fund when it becomes a viable alternative. We are also making the transition to HMO plans from indemnity plans which has helped. It is important to keep the Health Insurance Trust strong.

Pension Trust – The unfunded Pension liability is well explored by FCCC. Amherst is a member of the Hampshire Retirement System. Our liability is growing with down turn in market and is funded 3 ways; from

payroll contributions, (5-9% plus 2% more if salary is greater than \$30,000), Town contributions, county retirement board investments contributions (payroll and town fees) and investment returns are used – investment earnings are down right now. Member town contributions will go up every two years (this year though system is holding on the update due to the economic crisis) and state regulations allow spreading costs over more years. Of course the recurring costs are going up faster than the recurring revenue. State reforms are in the works; structure eligibility, defined contribution, etc.

To go forward: Next big event is the Governor's budget with mid year and next year's cuts. What can Select Board can expect and what is our role:

The cuts: the state will send an announcement of anticipated cuts. Finance Committee and the Select Board will be given the recommendation and an action list; appropriation, administrative – each action requires a collateral action including Town Meeting approval in some cases. Staff will provide recommendations within the chain of authority and timeline for approvals; cuts, new appropriation, and transfers.

The FY 10 State budget and maybe mid year cuts will be announced on January 28th including the Governor's cuts in Aid to Cities and Towns (which is allowed under 9C and doesn't need the legislature's approval). We may have hint on Friday with major address by the Governor. The Budget Coordinating Group will work with the update at its February 2nd meeting. They will identify areas to cut, and what revenues to raise.

Discussion: Follow up questions: should we fill in during meetings, set aside another meeting, or set aside a major portion of a meeting. Monday night we figure out what is best strategy.

Budget on web including Fin Comm guideline, FCCC report, MMA materials, Mass Revenue material.... People should explore.

Every dept budget has information on accomplishments and goals identified in budget meeting.

### **Wrap up:**

How does budget position us for future? Recurring costs still rising faster than recurring revenues. We will move out of the General Fund as much as possible (FCCC noted need). The General Fund is used for core services, DPW, Pub Safety, General Government. We need to consider what programs need to go away, programs to let hibernate. Prop 2 ½ and the vagaries of State revenues make revenue unsustainable. Cost of living increases are 5-6% annually while revenue growth remains at 4% at best.

This budget as presented assumes no state aid cut – now it appears likely cuts to aid will be around 7% plus this year's mid year cuts. Federal Stimulus will have an effect, capital money will have an effect - we'll have to see.

There are ongoing discussions about the regionalization of the schools both in Amherst and within the regional system.

Adjourned 8:35 p.m.

### **Next meetings:**

January 26<sup>th</sup> (quarterly budget update)

February 2<sup>nd</sup>, 9<sup>th</sup>, 23<sup>rd</sup>

March 2<sup>nd</sup>, 9<sup>th</sup>, 16<sup>th</sup>, 23<sup>rd</sup>

April 6<sup>th</sup>, 13<sup>th</sup>, 20<sup>th</sup>, 27<sup>th</sup>

Comments and corrections encouraged:

Respectfully submitted;

*Aaron Hayden*

Approved at the February 9, 2009 Meeting