

# Finance Committee Minutes

Meeting Date: January 22, 2009

## CALL TO ORDER

The Meeting was called to order at 7 PM in the First Floor Meeting Room, Town Hall.

## COMMITTEE MEMBERS IN ATTENDANCE

Brian Morton (Chair), Andy Steinberg (till 9:35), Kay Moran (Vice Chair), Marilyn Blaustein, Doug Slaughter, Mary Lou Theilman, Barry Federman

## STAFF AND OTHERS IN ATTENDANCE

John Musante, Assistant Town Manager/Finance Director; Larry Shaffer, Town Manager; Walter Wolnik, Fred Vanderbeck

## AGENDA

1. Overview of the Municipal Budget
2. Legislative Update
3. Discussion of FY 09/10 Budget Balancing Strategy if Mid Year Local Aid Cut Occurs
4. Discussion of FY 10 Revenues, Budget Balancing Strategies, FC Guidelines
5. Member Reports
6. Minutes
7. Next Meeting and Agenda
8. Miscellaneous

## COMMITTEE ACTIONS

- Voted 6 – 0 with 1 absent to approve the minutes of 12/11/2008 as amended

## DISCUSSION

### **Municipal Budget Overview**

Larry presented an overview of the municipal budget and the enterprise fund budgets. He acknowledged that further reductions to the Municipal budget are likely once we know the extent of State Aid cuts. The budget was prepared with an eye towards potential regionalization of some services such as emergency dispatch, property assessments, and veteran's services. New information included in this year's budget document includes recent accomplishments and current challenges in the text for each department. This came about out of the departmental hearing process the Select Board utilized last fall to guide its budget policy recommendations to the Manager. The Municipal budget as presented rises by 3.2% and includes the use of \$181,174 in new revenue from LSSE fee adjustments and an increase of \$210,000 in Ambulance fees resulting from new EMS contracts with neighboring towns, and a planned ambulance rate increase. Smaller revenue increases for Cherry Hill revenue and Electrical Inspections totaling \$22,000 are also included. The increase in tax support for this proposal is only a little more than 1%.

Strategies to achieve this besides additional revenue include shifting some expense out of the general fund to other sources, and some reorganizing within departments resulting in the elimination of 4.29 positions from the municipal budget as follows;

• Admin Assistant to Town Manager	0.5 FTE	(\$41,096)
• HR Consultant	0.5 FTE	(44,200)
• Director of Communications Center	1.0 FTE	(80,277)
• Tree Maintenance Crew Supervisor	1.0 FTE	(57,666)
• Health Outreach Worker and a Nurse	.09 FTE (seeking grant funding)	(15,709)
• LSSE Program Coordinator	1.0 FTE	(41,134)
• Director of Community Development	.20 FTE (Shift to CDBG)	<u>(15,379)</u>
	(4.29) FTE	(295,461)
Other decreases		
• Elections (Fewer elections for FY 10)		(26,300)
• Fire OT and Extra Help		(65,000)
(this decrease combined with the fire maintenance increase reflects actual spending patterns within the Fire Department)		
• Clerical Extra Help in Inspections		(11,217)
(Completion of Inspections relocation and consolidation with Planning and Conservation reduces the need for this position)		
• Human Service Agency Funding (Shift to CDBG Grant Funding)		(66,000)

Some increases are included due to contractual obligations and a need to reflect historical or actual expenditures expected for some line items as follows;

• Pay adjustments negotiated (+3.5%)	\$669,996
• Health Insurance +3%)	64,572
• IT Contracts and Licenses (increased use of hardware and software)	36,107
• Utilities and Fuel	68,403
• Police OT	25,000
• Fire Vehicle and Equip Maint	30,000
• Communications Center Extra Help & OT	35,000
• DPW Sand and Salt (budget historically underfunded)	51,000
• Veterans Benefits (Increased claims expected, 75% state reimbursement)	15,000

A comprehensive study of LSSE programs and costs revealed some underperforming programs that were being subsidized to remain in existence. Adult Ed and Skiing, for example, were subsidized by roughly \$50,000. In prioritizing programs, the pools were deemed more important so the fees for those underperforming (and some other programs) will be raised to cover their own costs or they will be eliminated. LSSE staff looked at all fees and developed a proposal for fee increases that conservatively, according to the Town Manager, should generate roughly \$181,000 in new revenue that, in combination with some cuts within LSSE, enables a reduction in tax support for LSSE of \$187,316. The program subsidies line for low-income participants and the special activities line for participants with special needs remain level funded in this budget. The Manager and

LSSE realize that the funding will not go as far with the increase in fees and are looking for alternative ways to increase funding for these lines.

Human Service Agency funding is shifted to a CDBG mini entitlement grant for FY 10. The Community Development Director has been working with CDBG officials to create a proposal that meets CDBG rules. The Town has already applied for \$80,000 for agencies as part of the CDBG application and the Manager is confident we will be approved. The issue of supplanting existing funding has been solved by specifying new programs that the Town's funding will support within the umbrella of agencies we have supported in the past. Funding for the remainder of the Community Development Director's position also shifts to this grant. The Manager sees General Fund support for these important functions as extremely problematic for several years to come. Although grant funding may be problematic as well, the CDBG entitlement program is set up with these types of services in mind and, at least for the short term, may be a more stable source of funding than the General Fund. If grant funding fails, funding these functions will again be part of the General Fund discussions.

The Human Resource consultant position is eliminated in the General Fund but a new Administrator position is created in the Health Care Trust Fund (A separate and independent fund from the General Fund) to monitor enrollee status and claims presented for payment. Some Providers have issued multiple billings for the same medical procedure and there is some evidence of "churning" as well. The Manager and Assistant Manager feel it is critical for the fund's health to have someone directly responsible for ensuring that the fund pays only legitimate claims. Currently, the HCTF balance is roughly \$3.2 million which is almost twice what the State requires us to maintain as a percentage of annual claims. While the fund is in good shape, an increase in stop loss coverage, designed to protect the fund from catastrophic claims, is actively being studied to see if an increase makes sense. Additionally, the Town will continue to monitor and evaluate our total costs as a self insured entity in relation to estimated costs if we were to join the GIC, and in relation to covering the tail end expenses of claims incurred under our self insured status if, at some point, we decide to join the GIC.

The Communications Center has been operating without the Director for about 4 months now and seems to be operating fine. The Director's duties have been absorbed by one of the Police Captains. Overtime and extra help has been increased to account for time the director spent covering the dispatch console and the Manager feels that the OT and stress levels that contributed to extremely high turnover (and associated costs) several years ago should not be a problem. The town has applied for a \$150,000 grant to study the feasibility of a regional dispatch center with Amherst, UMass, Hadley, and Belchertown.

The Tree Care Crew Supervisor position in DPW is eliminated and the remaining two workers will work under the supervision of Parks and Commons. \$51,000 is added to the Snow and Ice budget for melting agents and sand to bring the funding level closer to what is reasonably expected to be spent based on historical data. We have continually underfunded this account over the years and this addition reflects a desire, given the tight fiscal restraints we are facing, to reduce shortfalls that might require additional appropriations later.

The enterprise funds are all enjoying a reduction in debt service thus allowing either for budget reductions or, in the case of the Sewer Fund, a reduced increase. UMass had been using a steadily decreasing volume of water but in the last year, consumption is on the rise again so the pressure for major rate increases is reduced. Projected increases of 3% are proposed for July 1 and UMass has already been notified as per the agreement reached last year. The Atkins Water Treatment Plant debt will be retired in 2012. Payments are in the \$750,000 range annually.

Solid Waste Fund revenues appear stable for FY 10 and are augmented by cell tower fees and by trading methane credits. More details will be discussed next week when the DPW makes its presentation to us.

The Transportation Fund budget is status quo but the fund has some long-term revenue issues that are being closely looked at. The Parking Task Force is looking at fee structures to increase revenue and aggressive enforcement of meter feeding to encourage more parking space turnover. FY 10 capital spending would be for improvements to the Amity Street lot and an adjoining Bank of America lot.

### **FY 09 State Aid and Balancing Strategies**

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 asked for and received expanded 9C authority to cut the State budget; Local Aid is on the table for this second round of cuts.

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. If a midyear cut in local aid occurs, 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 mid-year 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.

### **FY 10 Potential Reductions in Revenues, Solution Options, and Guidelines**

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. We could have some indication of what to expect as soon as tomorrow (the 23<sup>rd</sup>) when the Governor addresses the MMA or by next Wednesday the 28<sup>th</sup> when the Governor's budget is due to be released.

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.

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.

Other strategies available and mentioned include cuts to core services, use of reserves, and local option taxes (which may be on the state legislature's table). Additionally, the federal stimulus package may provide some relief if it includes funding for local infrastructure projects and if any of our submitted projects are approved.

Further discussion on this topic was tabled for future meetings when more information is known. The purpose of discussion for this meeting was to get a significant volume of information out in the open for people to be aware of for use in discussions once the State Aid situation is disclosed.

### **Member Reports**

Andy and Mary-Lou reported that the Schools are struggling with ways to reach the 2% guideline currently and are well aware of potential aid cuts in the 10% range or more. They have produced summary budgets for the Region and the Elementary Schools that are part way to the 2% guideline and continue to discuss some major restructuring options at the elementary level that many parents have expressed considerable concerns about.

Brian reported that the Select Board met last night (21st) solely for a presentation of the budget. Most response seemed positive except for the difference between the 3.2% increase in the Municipal budget as compared to the 2% budget increase the Finance Committee recommended in our guidelines. Their concern seems to be that the Town has more fee options available than the Schools do and perhaps the Town should share the benefit of fees it generates for services in some fashion. Morton responded to the SB that with the tax support required at a little over 1% the budget would meet the guidelines even if we had said a 2% increase in tax support and it leaves a small amount of money available at the present time. Discussion with the SB indicates that we need to consider more precise language when we issue guidelines to avoid confusion in the future

### **Miscellaneous**

John handed out a draft Finance Committee hearing calendar through Town Meeting. Only a couple of departments have confirmed and at least one of the School dates does not work for the Superintendent(s). Once the schedule is refined and confirmed, it will be posted online.

For the record and as a reminder to everyone, Doug disclosed his conflict of interest as an employee of the Schools.

The Schools are forming a committee to study the issue of regionalizing K-12 in some fashion. They requested representatives from Select Boards and Finance Committees from all four towns. Andy, as our liaison to the elementary schools, volunteered to represent the Amherst Finance Committee.

### **Minutes**

Amended and approved the minutes of 12/11/2008

**Next Meeting and Agenda**

The next meeting will be January 29<sup>th</sup> in the First Floor Meeting Room and the agenda will include a presentation of the DPW and Enterprise Funds Budgets, a 2<sup>nd</sup> quarter FY 09 Municipal budget vs. actual report, A legislative update, discussion of balancing strategies to deal with local aid cuts both FY 09 and 10, revisions to the Finance Committee Guidelines, and speaking/writing assignments for the report and Town Meeting for the known budget related articles

Adjournment

Adjourned at 9:51 PM

Respectfully submitted  
Brian Morton  
Acting Clerk

Approved 2/12/09