

Finance Committee
Minutes
February 5, 2009

Location: First Floor Meeting Room, Town Hall

Attendance: Marilyn Blaustein, Kay Moran (Vice Chair), Brian Morton, (Chair), Douglas Slaughter, Andrew Steinberg, Marylou Theilman

Others present: John Musante (Assistant Town Manager and Finance Director), Guilford Mooring (Superintendent of Public Works), Robert Pariseau (Water Resources Director), Epi Bodhi (Health Director), Roy Rosenblatt (Community Services Director), Nancy Pagano (Senior Center Director, Council on Aging), Maura Plante (Congregate Housing Coordinator, Council on Aging), Walter Wolnik

Agenda:

1. Presentation of DPW and Enterprise Fund Budgets (except transportation)
2. Presentation of Community Services Budgets (partial)
 - Health
 - Senior Center
 - Community Development
3. Legislative Update / Updated Financial Projections
4. Discussion of FY 09 Budget Balancing Strategy to Meet Local Aid Cut
 - a. FY 09 2nd Quarter Municipal Budget Vs. Actual Report
 - b. Available Options
5. Discussion of FY 10 Revenues, Budget Balancing Strategies, FC Guidelines
6. Speaking and Writing Assignments for Town Meeting and Report
7. Member Reports
8. Minutes
9. Miscellaneous

Actions:

Motion by Steinberg, seconded by Moran, passed 6 in favor, 0 opposed: The Finance Committee supports the recommendation of John Musante, Assistant Town Manager and Finance Director, on a plan to address the 9C midyear state cuts to FY 2009 lottery aid and additional assistance.

Motion by Steinberg, seconded by Theilman, passed 6 in favor, 0 opposed: The Finance Committee supports the process recommended by the Budget Coordinating Group asking the Town Manager, Schools and Library to develop a list of spending cuts for 2010 that reflect the reductions for lottery and additional assistance recommended in the Governor's proposed budget to illustrate the worst-case scenario; will not issue new guidelines for budgets at this time because there is inadequate information about possible mitigating revenues from the state or federal stimulus legislation; and requests that the Town Managers, Schools and Library identify possible mitigating revenues for their budgets.

Motion by Moran, seconded by Blaustein, passed 6 in favor, 0 opposed: To adjourn.

Discussion:

The meeting convened at 7:00 pm and was chaired by Brian Morton. Pariseau first presented the proposed budget for the Water Enterprise Fund. The operating budget is projected to increase by 3.7%. The price for chemicals has been increasing and it is impossible to lock in a long-term price. Meter problems at the University have been corrected. They will recommend that the Select Board increase the water rates by 10¢ effective July 1. Pariseau described the projections for capital needs. Work needed on the Centennial Water Plant, which serves the Pelham reservoir, is likely to cost between \$750,000 and \$1 million. A water main through the University needs to be replaced. We are not ready to proceed with these projects now. There are about 6000 meters in town, and we replace about 300 each year. The debt to build the Atkins plant will be fully paid in 2012. He expects stability in rates over the next years.

Pariseau then presented the budget for the Sewer Fund. The operating budget is increasing by 3.3%. They will recommend that the Select Board increase the sewer rates by 15¢ effective July 1. The sewer plant is now 30 years old, but has been very well maintained. They are not projecting expansions of the system, though they are looking at some upgrades.

Mooring presented the Solid Waste Fund budget. While there was a withdrawal from the fund to settle litigation, a reasonable balance remains in the fund. We are still seeking reimbursement from the state insurance fund for the litigation settlement. We will incur \$30,000 to monitor the new land fill, a cost that could increase. There will be a need for a small increase in tipping fees in 2010. We will derive revenue from the cell phone tower and the sale of carbon credits, though the market value of those credits has decreased. We are seeking a second round of proposals for the use of the old landfill. The price paid for our recycle material remains steady at \$15 per ton, but we lose money due to transportation costs when gasoline prices are at \$4.00. The Solid Waste fund revenue is inadequate to reimburse the general fund for services. This was expected when the landfill closed and became a transfer station. We no longer have the revenue and our facility is not a monopoly. The Solid Waste fund does reimburse the town for employee benefits and insurance.

Mooring then presented the budget for the Public Works Department and its Divisions. No personnel are assigned to the Street and Traffic Lights Division. When employees are used to maintain these devices, their time is paid from this budget. Mooring has determined that it will be cost effective for the equipment maintenance division to reopen the vehicle inspection station for Department and other town vehicles. He did not think it will be feasible to provide inspections for other towns because we would need to hire an additional employee or pay overtime. The Parks, Commons and Downtown Maintenance Division includes some overtime costs to assist LSSE and the regional schools with pool maintenance. Generally, Mooring observed that the only means for Public Works to further reduce its budget is to cut staff. That is happening in the 2010 budget with the elimination of a Crew Supervisor in the Tree Care Division. The Snow and Ice Removal budget is increased in order to more realistically budget costs, since we have exceeded the budget in most recent years. Mooring explained the scheduling and when we must pay overtime, generally before 7:00 am, after 3:00 pm, and on weekends and holidays. While the overall increase in this budget is 4.9%, some of the increase is due to more realistic budgeting of snow and ice removal. Without this change, the increase for this Department would be close to the overall 3.2% increase in the proposed municipal budget.

Bodhi made the first presentation for Community Services, the Health Department. She described the purpose and major work of the Department – the prevention of the spread of communicable diseases, inspections and investigations, and emergency planning. She described the Department’s success at obtaining grants and said that they could generate more grants if the time was available. This is the final year of the Social Justice Grant, which she described for the committee. Bodhi talked about efforts to provide services to other communities and to regionalize the delivery of public health services. Governor Patrick is making it possible to do so. Bodhi and Musante will review the employee chart for this department after a question was asked about why it shows an increase. It was also noted that under Sources of Funds (page 95), the sixth line should be “Smoking Violations and Tobacco Permits” to more accurately reflect that most of this revenue is from the permits. Musante noted that this department has evolved in the last three years as more activity is supported by grants and progress is made toward regionalization. Bodhi added that we are moving from being a provider of services to a model where we more often work with agencies that provide services. She concluded by describing why it is important to maintain the immunization clinics. They serve as outreach to people who are new to the community so that we can identify needs.

Rosenblatt presented the budget for Community Development. It is now entirely funded from the block grant and not from taxation. This led to a question about his projection for the continuation of the block grant. It is assured through 2010. We won’t know if Amherst will continue as a mini-entitlement community until September or October, 2009. He explained that there are three factors: population, poverty rate, and the community-wide needs score. That score is a composite of 5 factors and we are close to the eligibility limit. It includes such factors as the unemployment rate and the per capita tax rate. Rosenblatt then described the initiative to work with the human services agencies that receive town support in 2009 to fund programs from the block grant. By regulation, block grant funds cannot be used to support activities that have been funded by the town or state in the last 12 months. The Town provided operating support to six agencies. Three of them will continue without Town support. Three agencies will receive block grant funds to provide services that were not supported by the town or state in the last 12 months. We will be supporting different activities. Rosenblatt noted that the net effect is to increase support for human services to \$75,000, from the current \$66,000. He acknowledged that we do not know what will happen after 2010, though he is cautiously optimistic that Amherst will continue as a mini-entitlement community. If it doesn’t continue, we will need to address the situation we then confront for all initiatives supported by the block grant.

Pagano used Power Point slides to present the needs and activities of the Senior Center. The number of residents who are aged 60 and over has grown steadily in the last five years. She described the waiting list for elders seeking public and subsidized housing and the growth in demand for food programs. Pagano described the free and grant-funded programs at the Center. She then talked about the budget and three full-time and one part-time staff it supports. There has been a decrease in the state grant of \$1491. The \$3000 budgeted in the current year for center activities is eliminated in 2010. They are looking to fundraising to replace some of the lost tax support. The Senior Center has 301 volunteers, generates grants, and brings revenue by managing the rental of the Munson building. She concluded by explaining the consequences of the cuts to the Senior Center budget.

Musante reported on the status of the current year budget, referring to his written report to this committee, the Select Board, and to Town Manager dated January 23, 2009. With the

exception of the rescission of some state municipal assistance, revenues are meeting projections. He presented his most recent analysis of the effect of state aid reduction for 2009 and the effect of the Governor's proposed 2010 budget.

The committee discussed Musante's proposal to address the 9C cuts in the present year, previously presented to the Budget Coordinating Group and to this committee. It would use the one-time reimbursement from the state for the Wildwood school roof, savings from current vacancies, and a possible one-month "holiday" from contributions to the health care trust fund to balance the 2009 budget after the cuts. The trust fund has recovered from the crisis of two years ago with additional premiums and cost savings from employees transferring to the HMO option and choosing to purchase drugs from the Canadian pharmacy at a lower cost. This decision does not have to be made now, so the premium holiday would be at the end of the year if it is needed. The Town would save \$500,000 by not making premium contributions to the trust funds for one month. The region would save \$250,000 to use in FY 2010. Employees would collectively benefit by \$250,000. We have applied for a federal (FEMA) grant that would pay for 90% of the new Quint fire equipment. If we receive that grant in the current year, we would not need to have the premium holiday to balance the 2009 budget and could consider using this strategy in 2010. The Select Board endorsed this plan at its February 2 meeting. Steinberg moved that the Finance Committee also support this recommendation.

The committee discussed the updated 2010 projections. Morton explained that the Budget Coordinating Group asked the Town Manager, Superintendent, and Library Director to indicate what additional cuts would be required if municipal aid is in the amount recommended by the Governor without any federal, state, or local revenue to mitigate the reduction from our earlier projection. The intent is to inform further discussion about options. The discussion draft from Musante would also reduce the capital budget. He advised the JCPC to consider a possible reduction from the 2010 projection from last year. There will be a special Select Board meeting on February 25 to hear from the Town Manager on the consequences of these reductions on the municipal budget. There was discussion of reserves, now projected at \$4.4 million, 7% of revenue. The policy is to maintain reserves at 5-15%. The difference between 5% and 7% is about \$1.5 million. The options will include spending cuts, new revenue from an increase in state taxation for the benefit of communities, local options taxes, federal stimulus money, use of reserves and an override. Morton asked whether the Finance Committee should revise the guidelines. Steinberg observed that there is insufficient information to establish new guidelines and that we can obtain input from the BCG, after it receives the reports about the effect of budget expense reductions. He moved that the Committee support the BCG process.

The committee postponed discussion of writing and speaking assignments for Town Meeting and other items on the evening's agenda until the next meeting.

The meeting adjourned at 10:25 pm.

Respectfully submitted,
Andrew Steinberg, Acting Secretary