

BUDGET COORDINATING GROUP
Minutes - Meeting of May 4, 2009
First Floor Meeting Room, Town Hall

CALL TO ORDER: The meeting was called to order at 12:10 p.m. by Brian Morton.

COMMITTEE MEMBERS IN ATTENDANCE: Rob Detweiler, Chris Hoffmann, Bonnie Isman, Brian Morton, John Musante, Stephanie O’Keeffe, Catherine Sanderson, Larry Shaffer, Andy Steinberg, Gerry Weiss.

COMMITTEE MEMBERS ABSENT: Andy Churchill, Maria Geryk, Pat Holland.

COMMITTEE ACTIONS: Minutes of April 13, 2009 were approved as amended.

DISCUSSION:

1. **Public Comment:** Walter Wolnik urged the committee to take steps to reduce confusion in the community regarding how we label projected budget gaps for next year.

2. **News Affecting Budget:** John Musante reported on two issues.
 - a. **Town Capital Plan:** The Joint Capital Planning Committee (JCPC) has completed its recommendations for FY 10 and an updated five-year capital plan for the period FY 10-14. For FY 10, the JCPC recommends a decrease in capital spending of about \$150,000, or -5.8%, from FY 09 levels, which reduces the tax levy allocation to capital to 6.75% from 7.25%. This is due to the deteriorating fiscal situation and would result in a larger proportional cut to the capital plan than what is projected for the operating budgets. The written JCPC Report will be mailed to Town Meeting members the week of May 18.
 - b. **State Budget Update:** The House adopted a FY 10 state budget on May 1 that cuts aid to cities and towns by \$220 million. The House Ways and Means proposed budget had a reduction of \$425 million before the full House voted to raise the sales tax by 1.25% (to 6.25%) to generate \$900 million in new revenues to partially offset these and other cuts. This reduced the cut to Amherst from \$3.4 million to “only” \$1.7 million for FY 10, in addition to the \$978,298 that was cut mid-year in FY 09 (the current year). Cuts were to Lottery/Additional Assistance Aid and Police Career Incentive (Quinn Bill) reimbursements. Direct Aid to Public Libraries and Regional School Transportation reimbursements were also reduced. The House did include a provision urging the governor to distribute \$50 per pupil to every district from the ARRA federal stimulus funds. That would total approximately \$70,000 to Amherst and \$88,000 to the Region.

However, state officials are now indicating as of this past weekend that even with the sales tax increase, state revenue projections need to be revised downward again by another \$1 – 1.5 billion for FY 10 compared to the House-approved budget and estimates last updated only a few weeks ago before April tax collections. The Senate Ways and Means Committee will release a budget on May 12 with action by the

Senate by the end of May. “Municipal Relief” legislation, including local option meals and sales taxes, closing telecom property tax loopholes, and giving municipal officials the same control over health plan design that the state has, is also expected to be debated and acted upon by the House and Senate in May.

- 3. Discussion of FY 10 Budget Balancing Choices:** John Musante reviewed a FY 10 budget development worksheet incorporating the fast-changing fiscal news from Boston. Using the House-approved budget estimates for state aid, John outlined how a \$6.6 million level services budget gap could be reduced by cuts to operating and capital budgets totaling \$3.6 million, \$1.7 million of state aid funded by the sales tax increase, \$49,990 from the Wildwood roof grant funds, and \$413,618 of new municipal revenues (primarily increased ambulance fees and LSSE program fees) included in the Town Manager’s FY 10 budget proposal. That would leave a gap of approximately \$800,000 that could be eliminated by additional budget cuts (including a reduction to the voted Region budget as outlined by the Acting Superintendent at the April 28 RSC meeting), any additional revenue that might result from the “Municipal Relief” legislation, and/or reserves.

Given the subsequent news that the state is facing an additional \$1-1.5 billion gap, John summarized the new “worst case” as a \$2.5 million gap assuming none of the \$1.7 million in restored state aid in the House budget is distributed. He suggested consideration for a strategy to consider a much heavier potential reliance on reserves to balance the FY 10 budget, the amount to be used to be reduced by whatever revenue is ultimately included in the state budget. Any subsequent FY 10 revenue restoration from the state would be used to reduce the reserves allocated to the FY 10 budget and not to increase operating budgets. Brian Morton made clear that any deviation from the Finance Committee’s recent guidance on reserve use criteria would require further discussion by the Finance Committee, but he welcomed BCG input. Larry Shaffer said that while he was not ready to offer a formal staff recommendation, the Town should consider front-loading of reserves use in FY 10 given the new information on the state budget gap. While he could not recommend as much as \$2.5 million in reserves use, it was reasonable to assume that the legislature and governor may find a way to fund at least 50% of the House state aid restoration (\$850,000 out of the \$1.7 million), which would lower the remaining Town budget gap to \$1.6 – 1.7 million.

Discussion followed about the status of various reorganization proposals and the rationale for using reserves as a bridge to those future cost savings. Examples included the potential closure of Marks Meadow School, incorporation of the 6th grade into the Regional Middle school, K-12 regionalization, public safety regional dispatch consolidation feasibility study, and veterans services. Brian Morton asked for as much detail as possible on the status and potential cost savings from these initiatives to be provided to the Finance Committee with any accompanying recommendation to use reserves. Stephanie O’Keeffe framed the choice as between higher reserve use and even deeper specific budget cuts above those already labeled as so-called “Tier 1” and “Tier 2” cuts on Town, Schools, and Library draft budgets. John Musante said any such use of reserves would need to be part of a coherent 3-year plan for FY 09-11 that would probably need to include the savings from the reorganizations we have been discussing coupled with a property tax override in FY 11 to sustain the reduced level of services funded in FY 10.

Stephanie O’Keeffe said that the Finance Committee’s reserve use memo from March 2009 was extremely well-intentioned, but circumstances have changed. She supports the concept of this higher, strategic reserve use that could also be argued is a rational part of a multi-year plan and not just plugging a budget gap. Catherine Sanderson said that using more reserves in FY 10 had two advantages: allowing more time for planning, and allowing for the fact that some things are beyond our control and hopefully some state aid will be returned to the Town. Larry Shaffer suggested that a formal staff recommendation be prepared within one week. Brian Morton agreed and urged a memorandum be provided to the Finance Committee as far in advance of their May 13 meeting as possible and that Town, School, and Library officials attend that meeting. Andy Steinberg talked about the strategic use of reserves and an override. Brian Morton again expressed reservations about using even \$1.5 million in reserves (out of the \$4.4 million current balance) with little or no reserve use in FY 11. Concerns were expressed about the Town’s bond rating being lowered if reserves fall below a certain level.

Stephanie O’Keeffe suggested the compilation of coordinated “core services lists’ as part of a three-year plan. The Select Board will review a revised municipal budget at its May 11 meeting. Bonnie Isman said that the Trustees have a couple of meetings scheduled and will vote a budget on May 12. The Finance Committee will meet May 13 and is planning to review and vote recommendations for the FY 10 budgets.

4. **Minutes of April 13, 2009 Meeting:** Approved by consensus as amended.
5. **Date for Next Meeting:** No meeting date was determined.

The meeting adjourned at 1:52 p.m.

John Musante, Acting Clerk