

Budget Coordinating Group Minutes
October 15, 2009 6:30 P.M.
Town Room, Town Hall

The Four Board Meeting convened at 6:35 with Ms. O’Keeffe presiding as Chair. Members of the Select Board present included Ms. O’Keeffe, Ms. Stein, Mr. Weiss, and Ms. Brewer. The School Committee was represented by Mr. Rhodes. Members of the Library Trustees, included Ms. Holland, Ms. Gray, and Ms. McKee. Staff administrators included Ms. Isman, Mr. Musante, Mr. Shaffer, Mr. Rodriguez, and Mr. Detweiler. All members of the Finance Committee were present: Mr. Steinberg (Chair), Ms. Moran (Vice Chair), Mr. Slaughter, Ms. Blaustein, Mr. Jackson, Ms. Theilman, and Mr. Saul (secretary pro tem). Members of the press and public were also present.

BCG members present: O’Keefe, Weiss, Rhodes, Holland, Steinberg, Slaughter, Isman, Musante, Shaffer, Rodriguez and Detweiler. There was no separate discussion among BCG members and there were therefore no points of agreement.

Mr. Musante presented an report of Financial Trends from FY 2000 through FY 2009, an overview of FY 2010 and projections for 2011 through 2013. Highlights of the 10-year trend report included:

- Amherst property tax revenue has risen roughly in line with inflation, and even with the economic downturn, tax collections have exceeded 98%.
- Proportion of the Amherst budget supported by State Aid continues to decline.
- Total expenditures for salaries and benefits remain in uptrend relative to other municipalities in the State, but control of health insurance costs has prevented even further benefit expense inflation.
- Stable total employee numbers in the municipal budget since 2000 with the proportion shifting toward fire and safety personnel.
- Stable expenditures increasing approximately at the rate of inflation
- Illustration of negative trends in State Aid, economic development growth
- Dramatic increases in the “intergovernmental” assessments category of the budget which includes retiree health insurance, Choice/Charter education, and PVTAs
- A steady increase in the percentage of the budget comprised of salaries and benefits in spite of cost containment in health care.
- Decreasing costs of debt service
- And, diminishing reserve balance available for financial stabilization.

Mr. Musante continued to review FY 2010’s budget highlights, and then provided other updates to the current situation:

- Continuing reduction of health care costs by adding Health Maintenance Organizations as an insurance option has amounted to nearly \$2 million in savings over the last two years
- The Town and the Library have jointly applied for a waiver to the Minimum Appropriation Requirement for FY 10 in order to receive \$67,000 in State Aid for public libraries and maintain library certification.
- Growing road maintenance and repair backlog now totals about \$14 million

- State Tax collections are down \$212 million vs. budget through September. There will be \$600 million in cuts to the State budget, and Mr. Musante expects more cuts to State Aid to the Town in the current fiscal year.
- Potential solutions for Amherst to close the gap caused by any mid year reduction in State Aid include mid year spending cuts and use of reserves.
- The Town will be going to the bond market in December. Money will be used for the Bangs Center, Town Hall, and Plum Brook projects. If rates stay low, the Town may refinance the Water and Parking Garage debt. The Town will have its first independent bond rating review since 2005. Its current rating is strong.

Mr. Musante continued with some assumptions and projections based upon those assumptions, and concluded that a FY 2011 budget shortfall of between \$4.06 and \$4.6 million was likely using a Level Services baseline assumption for all budgets. Discussion ensued with several questions about the capital budget. Mr. Musante pointed out that the larger budget gap would result if the capital budget increased to 8% of the estimated property tax levy from its current level of 6.5%. The Town will need to decide if catching up on deferred maintenance is affordable. Musante emphasized that this is not about quantifying an override, but it is a way to begin the debate about what the Town will look like under dire financial constraints. Mr. Musante added that each department in the budgeting process needs to outline the sacrifices required to achieve the cuts necessary to balance a budget short of new revenues. The BCG and Finance Committee's approach to FY2010 was that it was a time to reorganize and cut budgets back to their core.

Ms. O'Keeffe emphasized that it was the Select Board's responsibility to propose an override, and their decision will heavily rely on the deliberations of the Budget Coordinating Group. The Select Board decision to place an override on the ballot for the March 23 town election must be made by February 16th, and Ms. O'Keeffe emphasized that, with this deadline, the coordination of the budgets was especially important this year. Mr. Jackson suggested multi-year projections. Mr. Musante drew the group's attention to charts where this was illustrated. Mr. Rhodes asked about controlling cost trends in salaries and benefits. Mr. Musante indicated that health care and pension reform are the keys to lowering these costs. Ms. O'Keeffe asked about school staffing level trends. Mr. Detweiler and Mr. Rodriguez indicated they are preparing that information. Discussion about override deadlines, debate, and format were generally discussed. Ms. O'Keeffe adjourned the Four Board portion of the meeting at 8:17 after noting that guidelines for the budget process will be forthcoming in the next several weeks.

Approved: December 3, 2009