

## Finance Committee Minutes

Meeting Date: January 31, 2008

### CALL TO ORDER

The Meeting was called to order at 7:05 in Room 101, Bangs Center.

### COMMITTEE MEMBERS IN ATTENDANCE

Alice Carlozzi, Brian Morton (Chair), Andy Steinberg, Kay Moran (Vice Chair), Marilyn Blaustein, Doug Slaughter

### STAFF AND OTHERS IN ATTENDANCE

John Musante, Finance Director/Treasurer; Bonnie Isman, Library Director; Pat Holland, Library Trustee; Walter Wolnick, Eva Schiffer

### AGENDA

1. Library Overview
2. Budget Review
  - a. Retirement Assessment
  - b. Regional Lockup Assessment
3. Projections Update
4. Member Reports
5. Minutes
6. Next Meeting and Agenda
7. Miscellaneous

### COMMITTEE ACTIONS

- Approve minutes of January 24, 2008 as amended 6 – 0 1 absent
- Approve minutes of January 26, 2008 as drafted 6 – 0 1 absent

### DISCUSSION

#### **Library Overview**

Andy Steinberg disclosed that his wife works for the Jones Library. He removed himself from the table and requested not to be included as part of a quorum while the Library presentation and discussion took place.

Bonnie Isman presented an overview of the Library budget situation as currently seen. Tax support is proposed at the 2% level recommended in the Finance Committee

Guidelines. Endowment use increases by 2.2 percent but the percentage of the endowment distributed drops by 0.1% to 5.4% in the as-proposed budget. The proposal continues to “borrow” a portion of next year’s State Aid to Libraries in addition to the current year’s aid to fund the budget. The intent is to phase out this form of bridge funding by FY 10.

Gifts and fundraising are already close to the FY 08 goal with several months left in the year and while the Friends of the Jones Library have not yet voted an amount for FY 09, they remain very supportive of the Libraries. Additionally, the State has a grant program that allows eligible libraries to apply for a grant that is intended to partially match local fundraising efforts.

One full time custodian has transferred to a position within the municipal budget leaving two part time custodians at the library. The remaining custodian’s hours have been increased to full time and even with an overall reduction in total custodial hours, early assessments of the situation indicate that things are working out reasonably well. If this continues to be the case, it allows some flexibility in building the FY 09 budget, possibly allowing funding to increase a 30 hr/wk computer tech position to full time. In analyzing benefits, one library position was found to have been counted twice in the past and is now corrected. This in part accounts for the small 3.8% increase in the benefits line. Materials increases by just 0.9% but is still adequate to qualify for State Aid to Libraries. Overdue fines for materials are not included in this year’s proposal at the present time. The bottom line for the FY 09 Library budget proposal is that there is a \$28,159 gap between the 2% budget requested and a level services budget.

A handout from the Library showed that State aid to Libraries for Amherst has declined 13.4% between FY 2000 and FY 2008. At the same time, the average overall increase for all education and all general government aid is 28.6% for the same period. If Library aid increased at the same overall rate, there would be an additional amount of approximately \$40,000 over the \$82,000 contained in the FY 08 budget. Statistics show that demand for services is up and state aid is not keeping pace.

The Libraries have been looking for efficiencies and have targeted utilities. They have been working with WMECO grants to re-lamp portions of the Jones Library to reduce energy consumption. Additionally, a new HVAC contract has been successful in reducing utility usage.

A discussion of what services the Libraries receive from other departments and functional areas and what services are provided to others revealed that the libraries are part of the IT domain, which has reduced internet costs formerly provided through CWMARS.

Assessor’s records are available at Jones as well as many vital records from the Town Clerk’s office. GIS access is available at the Library as well. Home schooled children seem to have made the library a base of operations to the extent that some parents and groups use the facility and its meeting rooms. This is in addition to the 2<sup>nd</sup> grade reading program administered by the library and the assistance given to public school children in their educational pursuits. DPW maintains both the North and South Amherst Libraries but the libraries pay the Town “rent” for space in the Munson building and the Libraries pay the maintenance expenses for the North Amherst facility.

## **Hampshire County Retirement Assessment**

Andy Steinberg rejoined the meeting at 7:42 pm.

John Musante presented an update on the retirement assessment for FY 09. The September projections assumed a 4.3% increase because the system just completed an actuarial update that indicated a system wide increase of 4.3%. New information reveals that while the system is still looking at an average increase of 4.3%, Amherst will only see a 0.2% overall increase and a 0.1% decrease in the allocation to the General Fund. This is because the snapshot of our payroll used for the calculation showed almost no payroll growth over the prior period. Therefore, the currently projected FY 09 retirement assessment for the General Fund is \$2,917,009 (\$3,970 less than FY 08). This is approximately \$120,000 less than the September projections.

## **Hampshire County Lockup Assessment**

The Town has received a letter from the Hampshire County Sherriff's office indicating that for budget purposes, Amherst's FY 09 assessment will be the same as FY 08, \$31,323. This item will be placed on the Annual Town Meeting warrant as a separate article similar to the retirement assessment.

## **Projections Update**

John Musante presented updates to the September projections based on what we now perceive from the Governor's budget proposal and fine-tuning local source revenue projections. Local source revenue estimates have been fine-tuned in a few areas but the net difference between September and now is relatively small. The one seeming difference is for Miscellaneous Other Local Source Revenues, down \$180,727. This is an accounting shift for Ambulance Receipts Reserved for Appropriation. Previously, these funds were included in the misc line, now they are included in the Special Revenue Funds line in the Other Financing Sources Section of the worksheet.

State aid is where the real difference comes into play.

	Sept projections	Jan projections	\$ over FY 08
• Chapt 70	3% Inc	1.8% Inc	107,911
• Lottery	3% Inc	0.0% Inc	0
• State Aid – Other Cherry Sheet	-9.8%	9.6%	59,866

Lottery aid in the Governors budget assumes revenue from casino licensing fees which are not currently legal in Massachusetts. The allocated revenue to Amherst from Casino revenue amounts to \$1.3 million so we have to be concerned about even level funding lottery given the drop in lottery revenue in the last year or so. Overall, total revenues are about \$140,000 worse than September projections without considering the casino problem.

Proposed budget increases from the most recent information available indicate as follows:

- Regional Assessment 3%
- Municipal Budget 3.1 % 2% Tax Support Increase
- Library Budget 2.6% 2% Tax Support Increase
- Elementary Schools 8.4% to fund at level services

If capital is funded at 8% of the tax levy, we have a gap of \$1.4 million. If capital remains at 7% of the levy, the gap reduces to \$1.091 million and if the Elementary budget increase can be reduced to 3%, the gap essentially disappears. Every 1% of the tax levy for capital roughly equals \$343,000 and every 1% of the Elementary budget roughly equals \$200,000.

Given the lowering of expected State Aid figures for FY 09, the FY 10 projections have been scaled back as well to a 1.5% projected Chapter 70 increase, a 2.5% Pilot increase and level funded Lottery aid. Expense increase projections for level services remain at 5.5% for the Municipal, Elementary and Library budgets and 8% for the Regional assessment. This is because historically, these numbers reflect the average increase required to maintain level services.

If operating budget proposals can bridge all but the last \$500,000 or so of the deficit, some options available could be a small override, scour old capital articles for unspent funds to apply to capital thus freeing up some funding for operating budgets, use reserves or some combination of all three. Morton pointed out that such a small override might be impractical and might stand a smaller chance of passage than a larger override given the appearance of sufficient reserves available to cover the gap. Carlozzi pointed out that reserve use might be unwise this year unless it is tied to a multi (3) year financial plan which may or may not come to fruition this budget season. Morton pointed out that, even though we may experience no increase or even a drop in lottery revenue for FY 09, what will happen for FY 10 and 11 if in fact we are entering a true recession now? Historically, in at least the two years following the year of a recession, State Aid drops considerably. We only have roughly a million dollars above the 5% level needed to maintain our credit rating. Is it wise to spend down now or would it be prudent to let it grow for another year allowing for slightly more aid cut mitigation in FY 10 and possibly beyond? Slaughter stated that use of reserves now increases the future problem, serves to delay the discussion and resolution of a multi year plan, and would be contrary to our own advice. Steinberg stated that if we do recommend the use of reserves, it could serve to focus the community on the severity of the revenue problem. If revenues are not addressed, the resulting cuts, especially in the Elementary schools, could be devastating and would cause reductions that would make the schools almost unrecognizable contrary to the values of the community. Musante responded that cuts have also occurred in the Municipal budget and that very few items are on the restoration list if funds become available. He also stated that an updated reserves projections worksheet shows that using  $\pm$  \$500,000 could still allow reserves to grow but at a significantly reduced rate. The updated projections handout also updated our reserves projections.

We began FY 08 with \$4,017,186 in reserves. The November 2007 Town Meeting appropriated \$593,530 to bring the Health Care Trust Fund (HCTF) balance up to the level the DOR required. The projection model then assumes some appropriation turn backs and revenues over estimates in the calculation and finally, it accounts for the HCTF reimbursements in FY 09 and FY 10. The current estimate is that reserves will start FY 09 at \$4,283, 656 or 7 % of revenues and that, if we do not use reserves at all in FY 09, projections indicate that they could grow to 7.9% of revenues by FY 10, very close to our recommendation of 8% by FY 10.

The discussion returned to what to do about FY 09 and the question raised was what is reasonable for the Elementary schools to do in terms of reductions, between the 2% guideline and the 8.4% level services figure? Carlozzi said that the Schools simply cannot absorb it all and Moran stated that at some point either an override is proposed or drastic cuts are proposed. The use of reserves only delays the tough decisions. Slaughter returned to the multi year plan stating that we need to keep the issue in front of people because plans generally have a three-year window to discuss and implement. He proposed reviving last year's plan, and developing each bullet point further showing what has been accomplished, what the Town is working on currently, and what elements still need to be addressed. Carlozzi agreed that a multi-year plan needs to be kept in front of people. Musante said that a healthier discussion for the community would be; what is our vision of what we want, what are we really for, and what do we want to fund? He also asked, if we can get the numbers close for FY 09, does it make sense to fight over the last \$500,000 when it now appears the real work might be for FY 10? Moran suggested that a revised FC position could recommend some operating cuts, some capital cuts, and some reserve use tied to a plan. Steinberg suggested that we could present two budgets as we did last year, one showing the 2% level with all its cuts and one with some level of revenue above 2% using revenue sources that would otherwise not be recommended in the absence of a long range financial plan. Much more discussion and thought will be devoted to this dilemma in the coming weeks.

### **Member Reports**

Discussion turned to the upcoming BCG Public Forum and what the FC role would be. Morton responded that the format of the forum will be discussed on Monday February 4th and discussion at this point about our role in that forum would be speculative.

No other member reports were brought forward

### **Next Meeting**

The next meeting will be February 7<sup>th</sup> and the agenda will include budget reviews of the senior center and Human Services. A revised hearing schedule was passed out and will be posted on the Town web site.

### **Miscellaneous**

Steinberg suggested that someone, at some point, should provide an explanation of how the Chapter 70 funding formula works for the Region and for Town.

Adjournment

Adjourned at 10:05 PM

Respectfully submitted

Brian Morton

Acting Clerk