

Finance Committee Minutes

Meeting Date: February 28, 2008

CALL TO ORDER

The Meeting was called to order at 7:03 PM in Room 101, Bangs Community 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, Assistant Town Manager/Finance Director; Linda Chalfant, LSSE Director; Barbara Bilz, LSSE Assistant Director; Afranio Torres, LSSE commissioner; Larry Shaffer, Town Manager; Eva Schiffer, Walter Wolnik, Nick Grabbe

AGENDA

1. Budget Review
 - a. LSSE
 - b. LSSE-Municipal Pools
 - c. LSSE – Cherry Hill Golf Course
2. Multi-Year Financial Plan Discussion
3. Member Reports
4. Minutes
5. Next Meeting and Agenda
6. Miscellaneous

COMMITTEE ACTIONS

- Approved minutes of Feb 11, 2008 as amended 6 - 0
- Approved minutes of Feb 14, 2008 as amended 6 – 0
- Approved minutes of Feb 21, 2008 as amended 5 – 0 – 1 abstain (absent that meeting)

Discussion

LSSE

LSSE is proposing reorganization for FY 09 that eliminates the Special Needs Director and re-allocates duties from that position to remaining personnel. (Net savings of \$25,026) Tax support is further reduced by an increase in user fees of \$36,347 to apply towards administrative reimbursements. As a result, tax support for LSSE decreases by 17.6% in the FY 09 proposal and stands at only 15% of total LSSE expenditures, down from a high of 24% several years ago. The FY 09 budget represents a strategy of fee increases combined with expense cuts that brings the budgeted appropriation in at a 3.9% decrease over the FY 08 appropriation. Steinberg pointed out that when you add in the

program revenue, and revolving fund revenue, Amherst is actually getting two million dollars worth of LSSE services for tax support of only \$287,000.

LSSE is looking at its programs and fee structures to develop a cost recovery policy that can then be applied to programs. The general working premise for now is to work towards 100% recovery where feasible. They are looking at a possible cost recovery model that would recover all direct and indirect costs for adult programming, somewhat less than full costs for youth programs, and relatively low cost recovery for the pools and for Special Needs programs.

Pools

The FY 09 proposal includes closing War Memorial pool at an estimated net savings of \$25,000. Chalfant handed out a service level analysis for FY 08 to date that showed service levels are down from prior years primarily from factors related to the late opening in the summer of 2007. (July 11) No public or camp swim lessons occurred at War Memorial last summer and while some activity transferred to Mill River, not all camps that wanted access could be accommodated. Additionally, some camps simply could not readjust their offerings quickly in reaction to the late opening once the announcement was made that the pool would not be closed for the summer. Furthermore, 42 families who wanted swim lessons were turned away. Many camp kids who did participate in activities at Mill River were bussed there from Wildwood or Fort River Schools and spent as much as 48 minutes on a bus each day. (2 round trips per day 1 morning and 1 afternoon) An estimate of the additional fuel used for this is around \$1,500.

The Select Board voted to prioritize restoration of service at War Memorial pool and restoration of Human Service Agency funding at the top of the list, should funding become available. Recent indications from analysis of the Health Care Trust Fund show a positive claims experience. If this is a trend and not an anomaly, then we may be able to reduce the budgeted increase from 12% to something less, possibly enough to cover the pools and Human Service funding. The Town Manager stands by his recommendation to close the pool because of the long-term nature of the structural deficit. Opening the pool this year only delays the decision he feels is inevitable. In addition to operational expenses, the pool will likely face significant capital costs at some point and that point could come at any time. The pool has a steel liner that needs annual scraping and painting and at something over 50 years old, could fail at any time. If the liner fails, it could cost a million dollars or more to put the pool back in service. Repairs to the pump system remedied recent leakage issues but that system is old as well and needs upgrading. Closing the pool with the idea of reopening in the future will entail mothballing costs that still need to be determined.

The Manager and LSSE are looking at possibly creating a spray park to replace the pool or to provide additional hot weather recreation at Groff Park. Northampton's experience indicates acceptance by youth. At a cost of around \$225,000, a spray park would be cheaper than replacing the pool and operating expenses would be lower as well. Because the Groff Park wading pool is obsolete now, the spray park option will remain under consideration whether or not War Memorial pool is closed, and funding options will be

sought and examined. Grants such as Self-Help or possibly CDBG might help defray the cost but the timeline is about 2 years for the grant process. Design would take 6 – 12 months and demolition and construction would take another 6 – 8 months.

Discussions are ongoing as to what the town (LSSE) will need to pay the Regional Schools for use of the Middle School pool for autumn, winter, and spring swimming programs. The current year allocation is about \$22,000 for a shortened season. Estimates for a full season could be in the \$30,000 range. Alternatives to the Middle School pool are being analyzed for potential cost savings.

Slaughter asked about services provided to LSSE by other departments. Shaffer responded by saying that the Town is working on cost models for all LSSE programming that attempts to quantify all costs associated with each program on a per unit basis so that better decisions can be made.

Shaffer said that LSSE has risen to the task by reorganizing, cutting costs and raising fees in order to continue to provide the vast majority of services with far less tax support. As an example, the new pavilion fee appears to be successful, with about \$8,000 collected so far according to Chalfant.

Cherry Hill

For FY 08 to date, revenues are \$26,000 higher than last year to date and expenses are down \$11,000 – \$13,000 from last year. If the trend continues, the course could generate about \$250,000 in revenue while we budgeted only \$235,000. Expenses have been actively restrained while focusing available resources on improving key aspects of the course previously identified as weaknesses such as the greens and tee boxes. For FY 09 budget purposes, revenues are estimated to be sufficient to cover all costs associated with the course including capital and benefits.

Multi-year Financial Plan

Long-term

Musante handed out an outline of potential elements of a multi-year financial plan. The major bullets included categories for identifying community service level preferences and a strategy to pay for them for both FY 09 and FY 10 and beyond, Financial Policies, Efficiencies, Economic Development, College/University Partnerships, Legislative, Capital Plan, Reserves, Override, Caps on Spending for Town, School, and Library budgets. Most of these bullet points have been started with substantial progress in some areas while others need more work. Outlined here is a brief and incomplete status for each element with an understanding that over the next couple of months, the Finance Committee and staff will review each element and fill in much more detail for each element in terms of what ranges may be possible in terms of revenue enhancement or expense savings.

Financial policies have been developed, although some refinement and additional chapters should be added at some point. Efficiencies are being looked at by a Blue Ribbon committee of professionals with management experience to see if they can identify areas where the Town could operate more efficiently and cost effectively. Regionalization of some services, such as dispatch, is being looked at for possible expense savings.

A number of Economic Development proposals have been proposed already such as Veridian Village and the Lord Jeff expansion, and the Town has enacted some zoning changes to help stimulate and facilitate additional targeted activity such as recent rezoning on University Drive. Other projects are in the conceptual stage at this point but should be discussed.

Talks are ongoing with the colleges to seek additional support in funding, land, or economic development. The recent agreement with UMass is being used as a catalyst to spur agreements with Amherst College and Hampshire College as well as the other towns served by our ambulance service to more closely match charges with expenses.

Legislative solutions at the State level offer a chance for revenue enhancement that could be greater than the 2 ½ % increases local property tax revenue is allowed to be raised. Town leaders continue to lobby the State for methods to increase town revenues, but are met with resistance from the Speaker of the House, so most of the proposals such as enacting a local option meals tax or increasing the existing lodging tax are not likely to be debated let alone passed in the near future.

Reserves could be used to fill a small piece of the FY 09 gap but committee members expressed a concern about using reserves (actually continuing to use reserves) to balance the budget in the absence of a multi-year plan that includes a plan to replenish reserves.

Caps on spending and overrides fill out the list of elements of a multi-year plan but much more work is required in the other elements before a number range can be identified for either.

FY-09

Musante's handout also outlined a possible scenario that could balance the FY 09 budget without an override. It included the budgets in their current development state with increases of 2.8% for Library operating budget, 3% for the Town (2% when new ambulance revenue is accounted for), 3% for the Regional Assessment, and 8.4% for the Elementary budget. This leaves a deficit of \$1,451,150. If the Capital budget proposal is reduced from 8% of the tax levy to 7%, that would shift 343,000 to operating leaving \$1,108,150. If Capital is reduced to 7%, the effect could be mitigated by identifying old capital article balances that could be re-appropriated within the capital plan, softening the blow.

The increase in Health Insurance across budgets has been estimated at 12% for FY 09 but recent indications from claims experience may indicate that a reduction in the increase

may be possible and still leave the Health Care Trust Fund in reasonable condition. Currently that number is not fully identified but the percentage increase could drop to around 6% to 8%. Committee members expressed a concern about ensuring that recent claims experience and premium funding has resulted in a trend and not an anomaly that could set us back where we were if we adopt the lower percentage increase.

The plan further identifies a range of Elementary budget cuts that would allow the budget to increase from 2% thru to 5% and showed the cut level and the remaining gap to be filled. At a 5% budget increase, the Schools would have to cut \$670,914 leaving a gap of \$437,236 and Musante suggested that if we can get the budget that close to balanced without an override, then we should think about a small use of reserves to plug the remainder of the gap.

Minutes

Several suggested changes were adopted for the minutes of the Feb 11, 14, and 21 meetings.

Member Reports

The BCG is continuing to work towards community engagement as it relates to the long-term financial plan. It also reaffirmed at its 2/25 meeting that the Finance Committee is to take the lead role in analyzing the revenue/cost effects of various elements of a long-term financial plan.

The JCPC learned this week that the cost estimate for the Mark's Meadow School portable classrooms has risen by \$125,000. This brings the total estimated cost to \$400,000 when added to the \$275,000 already appropriated.

The Comprehensive Plan Committee is waiting for the consultant to submit the latest iteration of the plan report before proceeding further.

Next Meeting

The next meeting will be March 6, 2008 and the agenda will include a review of the Public Safety Budgets.

Adjournment

Adjourned at 10 PM

Respectfully submitted
Brian Morton
Acting Clerk

Approved 3/13/08