

JOINT FINANCE COMMITTEE AND BOARD OF SELECTMEN MEETING
4/21/10

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Meeting Date: April 21, 2010

Called to Order: 6:00 PM

Finance Committee Members Present: John Hanold, Andrew Killeen, Marje Levenson, and Michael Naughton

Montague Selectmen Present: Pat Allen, Patricia Pruitt and Mark Fairbrother.

Others Present:

Frank Abbondanzio	Town Administrator
Carolyn Olsen	Town Accountant
Patricia Dion	Treasurer/Tax Collector
Debra Bourbeau	Town Clerk
Barbara Miller	Director of Assessing
Douglas McIntosh	Assessing Technician
Raymond Zukowski	Chief of Police
Thomas Bergeron	DPW Superintendent
Susan SanSoucie	Library Director
Arn Albertini	Reporter for Greenfield Recorder
David Jensen	Building Inspector
Cheryl Clark	Treasury and Collection Specialist (arrived at 6:30 PM)
Mandy Hampp	Assistant Town Clerk (arrived at 6:30 PM)
Regina McNeely	Director of Health (arrived at 7 PM)
Christopher Boutwell	Board of Health (arrived at 7 PM)

Public Forum

Objectives of the Forum

- Communicate to the town the status of the budgeting process: “unfolding situation”.
- Status of co-operation w/ State on GMRSD. Representatives from the Gill Board of Selectmen, Montague Board of Selectmen, Gill Finance Committee, Montague Finance Committee, Gill-Montague Regional School District (GMRSD) School Committee and GMRSD administration have met with legislators and representatives from the state’s Department of Elementary and Secondary Education (DESE) to discuss ways to resolve the ongoing problems with the towns’ inability to fund the GMRSD’s requested assessments.
- Ensure that residents beyond Town Meeting members have a voice
- Invite resident input into our final recommendation to Town Meeting

Overview of Budget Balancing To Date

- Three parts for decisions: Town Operating, Town Special Articles, GMRSD assessment
- Department hearings have been held and preliminary assessments have been received from the FCTS and the GMRSD.
- The Town Operating budget is currently balanced without using savings, but does use a portion of available Free Cash.

- Special Articles (roughly \$175,000) will require use of savings, further cuts in the Operating Budget, or a combination of the two.
- The Town has calculated, and communicated to GMRSD School Committee, what we consider to be an “affordable assessment”. This uses no savings beyond a portion of available Free Cash. The GMRSD has certified a requested assessment that is about \$377,000 higher. Since the GMRSD budget is level funded, the increase in the assessment is directly related to their expected reduction in revenues.
- We won’t have final state aid numbers until late May, but have used estimates based on most current information from the legislature.

Review of Available Resources & Future Plan- Frank Abbondanzio

- A good year is when total revenues increase by about \$500,000 with \$400,000 from new taxes and \$100,000 from increases in state aid. We’ve lost a considerable amount of state aid, as has the GMRSD.
- A 5% increase in the operating budget (including school assessments) requires \$1.1 million to cover the increase, which is over double the normal increase in revenue.
- The current budget assumes \$250,000 of \$412,000 available Free Cash being used for both the Town Operating Budget and the GMRSD assessment. The balance in the Town’s Stabilization account is currently around \$733,000 and was recently as high as \$1 million. The current balance in the GMRSD Stabilization Fund is \$129,000. There is also approximately \$250,000 in excess overlay that could be available. We’ve been using large amounts of reserves for operating expenses in recent years and this is now being built into the base budget.
- Some existing Special Articles including the feasibility study for a Library, Council on Aging, and Recreation center of \$65,000 may be voted into stabilization or used to fund special articles.
- The Board of Selectmen and Finance Committee want to add to Stabilization annually, even as we use it for non-recurring purposes.
- Mr. Hanold noted that the biggest uncertainty for Montague’s budget is what the final numbers will be for state aid.

Summary of Budget Information – Presented by John Hanold and included in the minutes file.

The two main questions to be resolved are:

- Whether to fund special articles from savings, cuts in the town’s operating budget, or a combination, and
- Whether, if the GMRSD final required assessment is higher than what the town recommends, the additional amount should be funded from savings, cuts in the town’s operating budget, or a combination.

Alternative Approaches to Final Balancing

1. Funding Special Articles
 - Mr. Killeen noted that continuing to use reserves for special articles is not sustainable. Advocating spending cuts to avoiding using reserves for operating expenses is the responsible thing to do. There are different philosophies to come up with spending cuts. A percentage cut across the

board is not workable because town budgets have already been cut so much. Another way is to cut individual departments, which in Montague's case would be cutting personnel, and the third method is an organic restructuring to offer the same services for a lower cost. People are in favor of having a balanced budget, but when asked what to cut, the table is oddly silent. Mr. Killeen thinks now is the time to make tough decisions rather than waiting and being forced to make even more drastic cuts.

- Ms. Levenson spoke in support of an override. Ms. Levenson added that she would say no to a GMRSD budget that Montague can't afford, as a way to keep the state at the table.
- Mr. Naughton discussed the impact of funding special articles from reserves rather than making additional cuts. Mr. Naughton also thinks that percentage cuts across the board don't work. If we want to reduce the operating budget we need to restructure or reduce services and it's too late for those conversations. The discussion for how to fund FY11 special articles started only 2 weeks ago, and Mr. Naughton thinks it's too late in the process to discuss additional budget cuts or an override. We're all aware that the past use of reserves is not sustainable, but on the other hand, he came into this budget season assuming we would have to use reserves for at least another year or two. Mr. Naughton thinks Mr. Abbondanzio's proposal for reserve use over the next 4 years, reducing the amount used every year, is reasonable. For FY10 we had a goal of reducing the use of reserves for the operating budget by 50% and we achieved this goal. Mr. Naughton supports using reserves for FY11 special articles with the understanding that this use of reserves will be reduced to zero by 2014 (according to Mr. Abbondanzio's plan). This will mean dramatic cuts in future budgets. Mr. Naughton's issue is in the timing, not the ultimate goal, of eliminating the use of reserves.
- Mr. Hanold noted that many special articles, while for concrete items, are expenses that we expect to have on an annual basis.
- Mr. Jensen reminded the boards that the reserves were built up over ten years through an accumulation in the assessors overlay and the budgets were tightened in those years. What are reserves for if not to get through things like this? He appreciates that it's a valuable asset to be preserved. The question is whether this is an emergency situation or a long term reality. Mr. Jensen thinks we have the advantage of having reserves, we should use it constructively and conservatively, and it is not reasonable to not consider using reserves.
- Mr. Killeen generally agrees with that, but noted that as far as the GMRSD assessment is concerned we haven't seen end of tunnel, and assuming things will get better may not be reasonable. He is not sure we can declare victory over the structural problem. Mr. Killeen would support the judicious use of reserves if you can see light at the end of the tunnel but thinks there is still no solutions to the structural budget problems.
- Ms. Bourbeau noted that GMRSD assessment number is not final. We could take this opportunity to use \$175,000 of reserves for the town and wait to see what the GMRSD does, but eventually DESE will tell town to use reserves for the GMRSD. Ms. Bourbeau doesn't want the town to not use reserves

only to see them go to the district, and also feels that the state is not likely to do anything about our problems funding education until the town's reserves are gone.

- Ms. Pruitt is in favor of using reserves judiciously.
- Mr. Naughton thinks that using reserves to fund the operating budget is shooting ourselves in the foot because we'll end up with a budget based on the use of reserves, when no more reserves will be available. Mr. Naughton noted that the special articles requested for FY11 are arguably ongoing operating expenses.
- Ms. Levenson supports using reserves for special articles.
- Mr. Hanold noted that we've shied away from Mr. Killeen's suggestion of funding special articles by reducing the operating budget and asked if anyone had suggestions on what those cuts could be.
- Ms. Allen asked if it was worth having a committee to look at town hall staffing and possible reorganization. Ms. Miller noted that the town hall doesn't have a lot of staff to start with. Every department has its own laws that staff must understand, and sharing clerical staff will could easily result in errors being made due to staff's unfamiliarity with applicable laws and lack of knowledge of recent law changes. Commercial organizations are able to share clerical staff, but the nature of the actual jobs for municipalities makes this difficult.
- Mr. Hanold recognized that services depend on people, therefore personnel cuts will result in a reduction of services.
- Mr. Fairbrother is not in favor of cutting staff and won't vote to do so this year. He doesn't want to vote to cut staff next year or the following year either. It's also been said that we're on a fast train towards a cliff and he doesn't think we can't say that we won't at least study the situation and plan for doomsday. We would not be doing our jobs if we said "no" to looking at staffing changes.
- Ms. Pruitt stated that it bothers her that some people have wanted to cut staff for several years, and keep coming back to this idea when it hasn't been supported, and noted that the town does not have excessive staff. Our challenge is to go forward with what we have. The Town is in the service business, we're not here to show a profit. If we're using some reserves this year, so be it. We aren't being frivolous. We should give ourselves some credit and stop acting like we're on the edge of a cliff.
- Mr. Naughton agrees with Mr. Fairbrother that for fiscal 2012 as many things as possible should be on the table. To say that certain questions are off the table because they've been raised in past years, we sell ourselves short. The answer may be that we're doing things in the most effective method and we should not avoid the process of evaluating the situation.
- Ms. Miller stated that we switched to annual preliminary tax bills, which while not an easy transition, saves the town money in interest costs.
- Ms. Miller also noted that there are two districts with low tax rates (the Montague Center Fire District and the Montague Lighting District), but the assessors have to do the same amount of work for their commitments and abatements, and the treasurer's office has to do the same amount of work for

the billing and collection. The Montague Light District in particular has an absurdly low budget compared to the amount of work that town departments have to do to bill and collect their taxes. Ms. Miller asked if there was some way the districts could be folded into the town budget. There was general laughter from the audience. It was suggested that it may be possible for the MCFD to absorb the MLD, which would eliminate some of the extra work, but this is up to the districts. Ms. Miller also noted that the districts do pay the town for the work done by town departments, but that the payment did not really cover all of the work done.

- Ms. McNeely stated that paying a department head to their clerk's work, in lieu of or in addition to their own, is very expensive and not fiscally responsible.
- Ms. Miller added that there is too much work in the departments to lose a clerk. She's constantly dealing with clerical staff feeling that there's an ax over their heads every year. Ms. Miller is afraid of losing an employee who will have to be replaced with an inexperienced person who will take 3 years to train. It only takes staff hearing that there may be cuts to raise these concerns and she is fearful of losing staff just because of these conversations.
- Mr. Jensen feels that an override should be included in the available options for balancing the budget.

2. Funding GMRSD assessment

- The Finance Committee is continuing to recommend the "affordable assessment;" with no further use of savings beyond a portion of Free Cash.
- For FY10, the town made the first formal effort to determine what the town could afford for a GMRSD assessment. While town meeting concurred, DESE eventually required a higher assessment. For FY11, we modified the calculation to make it easier to use going forward, but deliberately kept the final amount the same as what would have been obtained using the previous method. This number for FY11 also includes the reduction of FY10's \$95,000 of reserves. The GMRSD FY11 budget is level funded. The reason our assessment is going up is because their revenue is going down. The current requested assessment is \$377,000 higher than our affordable amount. The GMRSD School Committee voted last week to recognize that their requested assessment may not be affordable for the towns. There are a couple of committees actively working on how to fund education in an affordable and sustainable method going forward. We have DESE's attention in a way we did not before. Going forward our three options are to stick with the affordable assessment amount, to recognize the district's effort to level fund – fund the difference and allow DESE to walk away, or do something in between. If we stick with the affordable assessment, the worst case scenario is a repeat of last year with DESE eventually setting a budget and assessments in December. Mr. Naughton noted that it was a huge effort for the GMRSD to level fund their budget. They had to cut \$800,000 to offset their other expense increases.
- Ms. Levenson suggested that DESE setting the budget was a best case scenario in that we want to keep DESE at the table.

- Mr. Naughton stated that a best case scenario is to come up with a plan that would work for future. Mr. Naughton thinks DESE does not want to be involved in district any longer than necessary.

At this point the Public Forum was concluded.

Minutes

FC Moved: To approve the minutes of April 14, 2010.
Vote: 4 In Favor 0 Opposed 0 Abstained

BOSMoved: To approve the minutes of April 14, 2010.
Vote: 3 In Favor 0 Opposed 0 Abstained

Letter to DESE

The letter to be sent to DESE and our legislative representatives has been drafted by the technical committee was presented.

BOSMoved: To endorse this letter and authorize the Board Chair to sign.
Vote: 3 In Favor 0 Opposed 0 Abstained

FC Moved: To endorse this letter and authorize the Board Chair to sign.
Vote: 4 In Favor 0 Opposed 0 Abstained

Finance Committee Report to Town Meeting

Mr. Hanold would like someone else to have a significant contribution. Mr. Killeen and Mr. Naughton offered to play more active roles.

Mr. Killeen suggested that the FC take on an analytical role for the last 6 months of the year, such as looking as staffing, financial policy, long term planning, etc.

Next Meetings:

- April 28 Final Decisions, Start Finance Committee Report to Town Meeting
- May 5 GMRSD final budget vote due
- May 12 Final Budget Votes, Wording on Finance Committee Report to Town Meeting
- May 19 Finance Committee Report to Town Meeting to printers
- May 26 Mail Finance Committee Report to Town Meeting
- June 5 ATM

BOS Adjourned at 7:55 PM

FC Adjourned at 8:03 PM

Respectfully Submitted,
Carolyn Olsen