

JOINT FINANCE COMMITTEE AND BOARD OF SELECTMEN MEETING

4/7/10

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Meeting Date: April 7, 2010

Called to Order: 6:01 PM

Finance Committee Members Present: John Hanold, Rob Allen, Andrew Killeen, Michael Naughton and Lynn Reynolds

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

Others Present: Frank Abbondanzio (Town Administrator), Carolyn Olsen (Town Accountant)

Minutes

BOS Moved: To approve the minutes of March 31, 2010.

Vote: 1 In Favor 0 Opposed 1 Abstained

FC Moved: To approve the minutes of March 31, 2010.

Vote: 5 In Favor 0 Opposed 0 Abstained

Reserve Fund Transfers

The Treasurer is requesting a Reserve Fund Transfer of \$6,000 for Tax Title/Foreclosure expenses in order to pursue an ongoing Land Court case

FC Moved: To approve a Reserve Fund transfer of \$6,000 to the Tax Title/Foreclosure expense line item (001-5-145-5781) in the Treasurer's budget.

Vote: 5 In Favor 0 Opposed 0 Abstained

The Veterans' Agent is requesting a Reserve Fund Transfer of \$20,000 for Veterans' Ordinary Benefits. The budget for this is currently overspent, and there are two more months of benefits to pay in FY10.

BOS Moved: To recommend a Reserve Fund transfer of \$20,000 to Veterans' Ordinary Benefits (001-5-543-5771).

Vote: 3 In Favor 0 Opposed 0 Abstained

FC Moved: To approve a Reserve Fund transfer of \$20,000 to Veterans' Ordinary Benefits (001-5-543-5771).

Vote: 5 In Favor 0 Opposed 0 Abstained

Supporting information from Capital Improvements Committee on Sheffield Roof

Mr. Cromack and Mr. Valley spoke to Mr. Hanold and confirmed that the Sheffield School roof project deals with the old part of the building and not the gym. They also checked on the quote to verify that the amount is reasonably current. The quote is from June of 2009. The cost of debt service for this borrowing will be between \$8,000 and \$10,000 per year.

Mr. Naughton suggested asking the GMRSD to have a bid ready for the Annual Town Meeting.

FC Motion: That the Finance Committee supports the repair of the Sheffield Roof.

Vote: 5 In Favor 0 Opposed 0 Abstained

BOS Motion: That the Board of Selectmen support the repair of the Sheffield Roof.

Vote: 3 In Favor 0 Opposed 0 Abstained

Tech Panel Update

Mr. Naughton reported that the panel decided it would be useful for the Boards of Selectmen and Finance Committees of the two towns to send the same letter to our state representatives and DESE officials, basically asking them in a formal sense for assistance in dealing with the problems we're having with the school budget and town assessments. The letter is currently being drafted.

Method of Funding ATM Special Articles

The committees reviewed Mr. Abbondanzio's proposal (in the minutes file) to the Board of Selectmen, and options were discussed.

Mr. Abbondanzio also suggested using \$65,000 from the existing balance of Article #16 of 3/23/06, which was appropriated for a building feasibility study, the existing balance of Article #3 of 7/8/99 for Dry Hill Road Legal expenses, and the existing balance of Article #11 of 1/23/08 which was for Acquisitions and Appraisals. This would then require \$105,000 of Stabilization or other reserves.

- Mr. Abbondanzio noted that if the balance of the recommended amounts for special articles has to come out of the budget, the only place to cut is wages.
- Ms. Allen prefers a combination of using reserves and making some cuts. However, if the GMRSD assessment exceeds the affordable assessment she thinks it may be necessary to make cuts in the town operating budget.
- Mr. Allen thinks it makes sense to use some reserves and making some cuts. Mr. Allen is not comfortable identifying line items to cuts, he would rather evaluate what staff puts together with options.
- Mr. Fairbrother would prefer a combination of using reserves and budget cuts. Mr. Fairbrother is hesitant to cut an entire department, and is more inclined to use reserves than take large cuts from departments.
- Mr. Hanold does not like the idea of across the board cuts. He found it a useful thing to see what would happen, but does not see how the town could operate with the 3% reduction scenario. Mr. Hanold still feels that a lower target for the new Planner's salary is reasonable. Another option is to eliminate the \$3,500 request for playground equipment that the CIC did not vote on. Mr. Hanold noted that the \$70,000 from existing special articles pays for the computers and the DPW leases. Mr. Hanold reluctantly proposes that the remaining special articles be funded from reserves. He noted that we have already decreased our use of reserves for FY11 by \$65,000.
- Mr. Killeen supports considering each special article and determining whether it should be added to the operating budget. He feels that all of the special article

- requests except for the roof project should be in the operating budget. The roof project is reasonable to fund from reserves, but it needs to be part of an ongoing process of saving.
- Mr. Killeen shared a few ideas of how to save money in the budget. Mr. Killeen proposed that Montague consider doing all of its hiring for employees on an individual basis. This would mean hiring at the private market rate rather than through union negotiated pay scales. He feels that unions are inflating the employee salaries above market rate. Federal employees tend to make more cash and benefits, state employees make wages comparable to private market but better benefits and municipal employees are similar. Mr. Killeen thinks the cash wages are comparable to market but that benefits are higher for municipal employees. This has been good for them but it is unfair for the town. He recommends tying employee non-cash compensation to private sector counterparts. Mr. Killeen recognizes that this is a contentious issue and difficult to discuss. A secondary point related to Mr. Hanold's earlier comment about the number towns employees who are either at or quickly approaching their top step and asked that we consider replacing them at the lower end of the wage scale. While he doesn't like to suggest it, if someone is making a lot of money, the town could save money by hiring someone else at a lower wage. This suggestion includes looking at both vacant positions and replacing existing employees at lower pay rates.
 - Mr. Killeen doesn't think it's a good idea to just hope that things get better. He would advocate that Montague needs to take care of itself and have balanced budgets so that we don't depend on state aid.
 - Mr. Naughton thinks that the Town Administrator and Board of Selectmen should be the ones to come up with any cuts rather than the Finance Committee.
 - Mr. Naughton supports having repeating capital expenses in the operating budget, and also that they should be funded from taxation, but feels its better not to change the format for town meeting this year. The funding source is a separate issue and he would like to get back to funding these items from taxation. Mr. Naughton said that April is a little late to consider making further reductions in the operating budget, but thinks it's time to discuss how to fund next year's budget and how much reserves to use to do so. For FY11, Mr. Naughton is comfortable using reserves for Special Articles, but thinks it's a little late to be using balances of existing articles as a funding source. He is a little uncomfortable with that, but not uncomfortable enough to not use those sources.
 - Ms. Pruitt is impressed with what Mr. Abbondanzio put together. Gradualism may not be as dramatic as a 180 degree turn, but we have taken steps to hold employees to a higher percentage of health insurance, there have been not colas, there have been layoffs, and vacant positions have been left vacant. Ms. Pruitt was recently stunned to learn that some towns only pay 55% of their employee's health insurance. To her, the main problem we have is that having done all we have on the town side, we still have to deal with the GMRSD. It's hard for her to see where the town can make additional cuts, but feels that the town will end up doing that in the end.

- Ms. Reynolds appreciates the work Mr. Abbondanzio has done, and feels that since the town has over \$700,000 in reserves, using \$105,000 of it is reasonable. Ms. Reynolds thinks we'll have to address the GMRSD later. For FY11, we can't cut the operating budgets any more because we'll just emasculate all of our departments. She does feel that the Town needs to start new hires at the lower steps.
- Mr. Hanold noted that some of the suggestions offered may be valuable for FY12, but if there's a public forum in two weeks we need to make some decisions for FY11. The question at hand is do we use reserves or reduce the operating budget.
- Ms. Allen would use \$70,000 from available Special Article balances and splitting the remaining \$105,000 between stabilization and cuts. This would require \$52,500 from each. Mr. Hanold asked where the \$52,500 would come from in the operating budget, and Ms. Allen noted that she's made suggestions every year that no one likes. She reiterated them again for new members. They include looking at eliminating clerical positions, but first she would like us to consider closing the branch libraries. Ms. Allen noted that the library can request a waiver from the state required funding levels.
- Mr. Naughton asked what the savings would be if we closed the branch libraries. Two years ago there was an estimate of \$32,000. Mr. Naughton thinks that will be a hard sell for town meeting. Mr. Naughton suggested that it's a little late to be proposing things that are that dramatic. He noted that we always talk about cuts, but there may be some way to do what we currently do for less money as we recently did for recycling.
- Mr. Allen had some points to make. There are two ways to get a fundamental change in basic services. One way is to get a mandate from town meeting and then take the time to put a plan together. This would include looking at how services are delivered. The other way to do it is to continue as we are until reserves are gone, and then we'll have to negotiate even more strongly with the unions and the GMRSD. Mr. Allen thinks trying to make the changes Mr. Killeen suggested is very difficult when we have this level of reserves. Mr. Allen also supports the Realistic option.
- Ms. Pruitt appreciates Mr. Allen's point of taking this to town meeting but also likes the Realistic scenario and thinks town meeting will agree. Ms. Pruitt thinks we should use stabilization for special articles and keep the \$70k in special articles along with the balance of the GMRSD Stabilization Fund for the GMRSD assessment.
- Mr. Abbondanzio noted that the Realistic plan will only work if we recognize that we're losing \$400,000 in state aid during this recession and we won't get all of this back. At the end of the recession there will also be a built-up demand for wage increases and other expenses, so you have to be disciplined about building in the uses for capital items. Mr. Abbondanzio also suggested having a policy of using unforeseen revenues to build up reserves.
- Mr. Killeen's sense is that, as a group, we may be underestimating the seriousness of our position. Our levels of reserves should not be taken for granted. It would be easy to spend down reserves and then have a major problem. What he tried to tell

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us tonight is a way to prevent that. If you're on the wrong course, like drawing down reserves, if you change and it feels tough, that's a good sign. Human inertia is such that doing the same will feel good until we hit the wall. It's a good thing to hurt now rather than to hurt worse later. Now is the time to take on some of that hurt.

- Ms. Allen noted that because of unions, there's no way to implement most of Mr. Killeen's suggestions, and he responded that most of those items would be long term.
- Mr. Killeen still recommends funding half of the special articles from cuts in the operating budget is a good idea.

FC Moved: To recommend using stabilization for the \$175,000 of currently recommended FY11 Special Articles not otherwise provided for.
Vote: 4 In Favor 1 Opposed 0 Abstained

BOS Moved: To recommend using stabilization for the \$175,000 of currently recommended FY11 Special Articles not otherwise provided for.
Vote: 1 In Favor 2 Opposed 0 Abstained

BOS Moved: That \$174,000 annual capital be funded with 50% from reserves and 50% from other sources or cuts.
Vote: 1 In Favor 2 Opposed 0 Abstained

Mr. Naughton would like to hear suggestion on how to get a mandate from Town Meeting.

Next Meeting: April 14, 2010 at 6:00 PM
Budget Discussion, Semi-Final Decisions
Final Planning for Public Budget Hearing

Adjourned at 8:06 PM
Respectfully Submitted,
Carolyn Olsen