

Belmont Warrant Committee Meeting Minutes
FINAL
January 6, 2010, 7:30 p.m.
Chenery Middle School Community Room

Present: Chair Curtis; Members Allison, Becker, Brusch, Callanan, Dash, Epstein, Libenson, Lynch, Manjikian, McLaughlin, Millane, Smith; BOS Member Jones; School Committee Chair Rittenburg

Town Administrator Younger, Town Accountant Hagg

Members Absent: Hofmann, Paolillo and BOS Chair Leclerc

The meeting was called to order at 7:31 pm by Chair Curtis.

Chair Curtis began by welcoming the three new members to the WC. He introduced and gave a brief summary of the backgrounds of: Kimberly Becker, Adam Dash, and Raffi Manjikian.

FY2011 Budget Update: Latest Revenue and Expense Estimates, Plus Five-Year Projection

Chair Curtis noted that the WC needs to look at revenue and expense assumptions, and talk about the budget process going forward. We must be prepared to convey to citizens what the budget picture looks like and what political decisions will need to be made about spending. Decisions will need to be made to evaluate choices about what to spend – and *not* to spend – money on. At some point, he said, we will also look at FY10's budget and see if there are holes that will need to be dealt with as well.

Town Accountant Hagg then summarized the projected revenue and expense numbers. She noted that there have been some changes since the WC looked at these numbers back in September. The revenue projections include: a 2% increase in motor vehicle excise, an additional \$100K from meals tax, PILOT revenue from the housing authority, \$1M for free cash, and \$450K from the overlay reserve account. She noted that several areas have decreased, including: earnings on investments, and state aid.

On the expense side, Ms. Hagg explained that projections for the compensation line were generated by assuming that all step increases would be paid, but that no across-the-board increase would be given. That translates into a \$350K wage increase on the town side and a \$550K wage increase on the school side. She noted that health insurance costs are up (but funds have been set aside for this), retirement costs are up 4% (\$4.5M), and that an actuarial study will be done next year. She noted the following increases: non-salary items 3%, special education tuition 8%, Minuteman 4%, state charges 2%, and

roads 2.5%. Capital needs are budgeted at \$2.2-\$2.5M – but, when based on needs, that number should be higher. Based on these assumptions, there will be a shortfall of \$3.6M.

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- The WC then briefly discussed the 2% increase for salary and wages. Town Administrator Younger clarified that this is for employees who are not at maximum for their grade, and it does not include management. Member Allison noted that this means that some employees would be receiving increases in the 4-5% range.

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- Member Allison noted that pension costs will be up substantially since, in spite of the partial market recovery, pension assets are still down more than 20%. At that level, Belmont will have a major pension issue in FY12. Member Brusch said that legislation has been filed to allow the stretching out of pension liabilities until 2040. This will smooth it out but will cost Belmont more overall. Selectman Jones added that retiree health insurance is a huge liability as well that hits in our FY09 financial statements.

School/Town Split Discussion

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- Chair Curtis reviewed that the way the school/town budget split has happened in the past is that the net discretionary revenues are allocated between town and school based on percentages that each have used in the past cycle. It has been a useful way to frame the budget and to offer a concrete number to budget against. This year, the WC will look at other ways to do this. Last year's split was 56.98% schools and 43.02% town. Several members noted that the 56.98% includes IDEA and Pre K grant money for schools.

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- Chair Curtis asked: Is this a good way to look at the split? Is there another perspective?

- Member McLaughlin said that the split is a major political issue in town and he is bothered that it is determined by arithmetic. Member Brusch said that we start with where we were and that, as revisions are made to the budget, more money from town side has been switched to the school side and in April you have an actual split. The number is usually higher toward schools. Chair Curtis noted that last year it went way up because of the stimulus money, all of which went to schools. He asked again: Is there a different way to do this?

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- Member Brusch noted that zero-based budgeting has its merits, but it is very time consuming. Member Millane noted that with a \$3.6M shortfall, we must look at what are our absolute priorities. This year's cuts will be much worse than last year. The goal, Chair Curtis explained, is to develop a mechanism that seems fair to budget a number to. Asking "What did the schools spend last year? what did the town spend?" has been a starting point. Member Allison agreed that the advantage of a split is that it offers a structured starting point, and limits a free-for-all. She added that the federal stimulus was one-time money and, as such, it is not appropriate to use that money when computing the split. Member Libenson offered that Town Meeting chose to spend the money this way.

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- With a \$3.6M deficit, personnel will need to be cut, or we will need an override, or a combination of both, said Member McLaughlin. Member Allison noted that there were additional alternatives that could be considered, including structural reform and means-testing of benefits and services provided by the town. Member Bruschi suggested that we look at the budgets from a pre-stimulus perspective, because that is what we were going to bring to TM until this federal money became available. Member Smith replied that starting where we ended reflects what TM approved – the split needs to be based on what was actually done. Starting with an historical split based on the actual budget reflects the values of the town, as that is what the town actually passed at TM, he said.

- Member Millane noted that it was made clear that this was “one time money” and, as such, should be taken out of the equation. Member Becker said that a decision was made to not go forward with an override as a result of the infusion of stimulus funding; it would have been a different picture if the stimulus wasn’t there. She also added that TM ended up approving additional funds for the school budget.

- SC Chair Rittenburg stated that Special Education funds are really non-discretionary as they are state-mandated. These “no choice costs” are increasing at a very high rate and need to be treated differently. The school budget gets greatly reduced to meet those mandated costs. Everything else keeps getting cut away to keep up with the rate of increase of these mandated costs. Chair Curtis noted that this point is raised each year, and that keeping this item within the School budget provides incentives for effective management of the program e.g. collaboratives.

- Member Epstein asked: How can we set percentages up front? This needs to be an iterative process. Special Education expenses will soon exceed regular instruction. If you don’t take a historical perspective, you won’t see the trend lines – and they are critical to good decision making.

FY2011 Budget Process and Timetable

- Chair Curtis said that another option may be to wait until we have the actual budgets from the town and school side. We know they will be way over budget. We can then make programmatic cuts until the budget is balanced (“knocking off cans”). Voters will know what is being cut. Member Smith noted that the number of programs eliminated would likely be large given the forecasted imbalance.

- Member Becker added that this is similar to the “tiered” approach that the schools used last year, only now there will be tiers for both sides. Member Allison said an advantage to this approach is that it guarantees we will have a budget for TM to approve. This gives us a process by which to provide the required balanced budget. Furthermore, this would accelerate our progress to a “program budget approach.” This is a “wish list budget,” observed Member Epstein: a budget is presented and gets pared back to meet actual funds.

- Town Administrator Younger noted that the BOS is presently scheduling to have department heads in for budget meetings.

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- ***FY2010 Update (Year-to-Date)***

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- Town Accountant Hagg: Revenues are in line with last year, and there are no overspent line items. Water and sewer enterprise funds are self sustaining.

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- ***Minutes***

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- The minutes of 10/28/09 were approved with three abstentions. The minutes of 11/04/09 were approved with three abstentions. The minutes of 11/16/09 were approved with one abstention.

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- Member McLaughlin moved to adjourn at 9:14 p.m.

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- Submitted by Lisa Gibalerio
- WC Recording Secretary