

THE MINUTES OF THE WARRANT COMMITTEE MEETING DECEMBER 3, 2003

Handout(s) given out tonight:

1. *MA DOR Stabilization Fund & Free Cash as a Percentage of the Budget*
2. *MA DOR Graph of Free Cash FY82-FY03*

Members absent: D. Kobus, L. McCormick, R. White

Also present: Selectman Paul Solomon, Town Administrator Mel Kleckner, Assistant Town Administrator Joyce Munro, Town Accountant Barbara Hagg, Treasurer Susan Kendall Freiner, and Assessing Administrator Robert Reardon

Chairman Widmer called the meeting to order at 7:36 PM.

Acceptance of Minutes

The Committee discussed and the minutes of the October 15, 2003 meeting.

- *Member Heigham made a motion, Member Oates seconded said motion, and the Committee unanimously voted to accept the minutes as amended of October 15, 2003.*

The Committee discussed and the minutes of the November 5, 2003 meeting.

- *Member Hofmann made a motion, Member Stratford seconded said motion, and the Committee unanimously voted to accept the minutes of November 5, 2003.*

The Committee discussed and the minutes of the November 12, 2003 meeting.

- *Member Heigham made a motion, Member Hofmann seconded said motion, and the Committee unanimously voted to accept the minutes as amended of November 12, 2003.*

The Committee discussed and the minutes of the November 17, 2003 meeting.

- *Member Heigham made a motion, Member Hofmann seconded said motion, and the Committee unanimously voted to accept the minutes as amended of November 17, 2003.*

FY05 Budget

Allocation Between Town and School

Chairman Widmer said in the past Town Administrator Kleckner has taken a first pass at the Town/School allocation this time of year, separate from the Warrant Committee

process. The Working Group, who met before the Warrant Committee's November 12th meeting, wrestled with the actual allocation. They discussed an allocation of 47.35% for Schools, 52.65% for the Town. It was suggested for a 52 (Town)/48 (Schools) split. The next step was for the Board of Selectmen and School Committee to discuss it and bring it back to the Warrant Committee.

Selectman Brownsberger noted the Board of Selectmen discussed and unanimously adopted the 52/48 split. Member Brusch emphasized this would be a one-year pilot. If there are State Aid cuts, then they would be made proportionately. Conversely if there were more revenue found, it would also be allocated proportionately. Member Stratford summarized we used the pro-forma analysis to come up with the allocation for this year only.

Member Schafer said this allocation is just the starting point. As we go through the budget process, there may be changes that need to be made. She is troubled by the idea we would have a purely formulaic method to determining the budget. Changes may need to be made, and we shouldn't tie our hands. This is a community decision process; it shouldn't be a formula. Chairman Widmer agreed that is an important caveat.

Member Curtis agrees. The formula is an artificial straight jacket, but you do have to start somewhere. It needs to be looked at in March or April, and discussed as to why some "nipping and tucking" needs to be done.

Where Member Brusch sees a problem are additions or subtractions that are revenue driven, or changes needed during the collective bargaining process. For instance, this formula does not allow for fifteen special needs students coming into the system, and then the School Department would need to have the formula reviewed.

Member Heigham asked if there was any discussion as to who takes the hit if the collective bargaining results are different than expected. Chairman Widmer's sense is if the Schools or Town have collective bargaining that is larger, they would deal with that within their allocation. Selectman Brownsberger is hoping to finish this budget process before the collective bargaining issues is resolved.

Member Hofmann wants to make sure that each side (Town and School) is paying for things in their correct buckets. He mentioned school crossing guards are covered by the Town's budget. This could affect per pupil costs. What box do we have the Minuteman School expenses? Town Administrator Kleckner answered Minuteman is within the Town's 52%. He asked Member Stratford for the reimbursement costs for METCO and what costs the Town pay for METCO.

Member Curtis said in the past this formula was something that Town Administrator Kleckner came up with as an administrative tool. There is a risk that more importance is going to get attached to that number, since the Board of Selectmen has voted to adopt that number. Selectman Brownsberger said what the Board did was to adopt the pro-forma

allocation number, but the budget process remains a need-driven basis. He added this is just a starting point to the budget process.

Member Oates agrees with Member Schafer, but clarified it is a trial for this year. Member Brusch agrees Minuteman is an education expense. We need to get more credit for it at the State and the Town than we do.

- *Member Hofmann made a motion, Member Flewelling seconded said motion, and the Committee unanimously adopted the 52 Town/48 School split as a beginning guideline and target for the FY05 budget process.*

Overlay Surplus (handout previously distributed)

Assessing Administrator Reardon reviewed with the Committee the Board of Assessors memo (distributed previously) regarding FY05 revenue estimates and overlay amounts. The Board of Assessors wanted to bring to the Warrant Committee's attention the State cautioning the Town for premature releasing of overlay amounts without accounting for outstanding tax receivables.

Town Accountant Hagg defined a tax receivable as people who have not paid as of June 30th. Member Stratford asked Assessing Administrator Reardon to clarify what number we should be looking at in the memo. It comes down to the Board of Assessors being happy to entertain what the Board of Selectmen and Warrant Committee thinks is prudent.

The Committee discussed the memo in depth, asking Assessing Administrator Reardon specific questions regarding tax and overlay procedures. The question then came up if the number being used in the budget projection for FY 2005 is as conservative as it should be given the Department of Revenue concerns. At this point, Assessing Administrator Reardon noted that budget plan needed to be reviewed based upon historic data on tax receivables to properly estimate the potential surplus available for release.

Chairman Widmer summarized that for our purposes tonight we are trying to reach some number we can then appropriate into the budget planning. Member Brusch thinks we should be conservative now, but not excessively so. Based upon the historic data tax receivables in the Board of Assessors Overlay Surplus memo the FY 2003 Overlay Account would have a surplus balance of \$305,000.00 after accounting for the pending Appellate Tax Board cases at 100% liability. Chairman Widmer said if we use \$305K (a \$185K reduction from the \$490,000 in the proposed FY 2005 budget), we are at a \$705K budget gap.

Member Heigham asked about efforts in trying to collect some of the balances in the Tax Title account status. Treasurer Freiner reviewed what the Treasurer's Office does to collect old balances.

Town Administrator Kleckner also stated that we need to attention to the DOR's caution to the Town. The Board of Assessors currently maintains an overlay reserve equal to all outstanding Appellate Tax Board Cases which is the most conservative approach. The current outstanding list of Appellate Tax Board cases has no larger cases or potential exposure. The Board of Assessors was of the opinion that a reserve of no less than 35% would be adequate to cover any potential settlements or judgments based upon the record of the Board of Assessor defense of values. The Committee discussed pros and cons of having a 35% reserve against outstanding liabilities. Assessing Administrator Reardon informed the Committee that the Town of Belmont Appellate Tax Board cases are typically called in the spring which results in settlements, withdraws or hearings. Reardon went on the explain that the settlements and withdrawals finalize the exposure if any for most cases with the hearing resulting in delay depending on when the Appellate Tax Board renders a written decision. As a result the Board of Assessors should have firm numbers prior to Town Meeting in April supporting the overlay surplus available. The result using the 35% reserve figure would free an additional \$75K from the FY 2003 overlay account for Budget Planning purposes. The Committee is comfortable broadly using \$380K as an overlay surplus (calculated by anticipating \$305K and the scenario of 35% liability of \$52K, which gives us the additional \$75K to get from \$305K to \$380K) as opposed to \$490K used as the budget estimate.

- *Member Heigham made a motion, Member Hofmann seconded said motion, and the Committee voted unanimously that the Town and School Administrations to base their initial budgets on the assumption that the overlay surplus will be \$380K.*

Free Cash

Town Administrator Kleckner reviewed that Free Cash is the fund balance of the prior fiscal year. Our practice is to take Free Cash and apply it to the next year's budget, i.e., take the FY03's balance and apply it to the FY05's budget. The past practice has been to use Free Cash for one-time capital items. He would like to consider whether we ought to look at using our Free Cash (or a portion) in a more conservative or creative way. We have \$773K of Free Cash available for appropriation. We've only applied or projected \$300K in our pro-forma budget. It may be an opportune time to take advantage and be creative with these funds. We could appropriate a certain amount in capital, a stabilization fund, or other ideas. We did get some information off the DOR website (*Handouts 1 and 2*). Town Administrator Kleckner will be making a policy recommendation in his budget about that, but the Board of Selectmen is interested in the Warrant Committee's suggestions.

Member Stratford introduced a few suggestions regarding the \$473K such as funding the structural deficit or to be used for such things as technology.

Treasurer Freiner mentioned the necessity of building up our reserves and creating a Free Cash policy.

Member Brusch asked where this \$773K came from. Town Accountant Hagg answered the expenses that year came in \$740K less in total than budgeted. Some items were:

- HR \$50K (unfilled position)
- Health Insurance \$178K (tailings)
- Education \$3K
- MWRA Sewer Assessment \$99K
- Solid Waste Collection & Disposal \$78K

The rest was from revenues:

- \$100K more in MV Excise
- \$165K more in building permits
- Property tax collections came in very strong.

Member Curtis said since this is derived from the operating budget, we should put it back into the operating budget. Town Accountant Hagg said that would put us into the hole by that amount for FY06.

Member Stratford recommended that for tonight's purposes, with the \$473K in surplus, take \$110K to restore the overlay surplus cut, leaving \$363K for the Committee to discuss.

Member Flewelling agrees with Member Stratford in theory, but would like to give those decisions to Town Administrator Kleckner in his budget recommendations. We have got to keep the heat on the McLean group. Selectman Brownsberger would like to put it in the pot since this is a relatively low year of Free Cash.

Town Administrator Kleckner is not opposed to Member Stratford's idea. He has not really formulated a particular proposal. A policy is appealing to him because when there is not a policy, that's when there's a perception that this money belongs to some other interest.

- *Member Heigham made a motion, Member Stratford seconded said motion, and Members: Widmer, Tillotson, Stratford, Schafer, Oates, Hofmann, Hobbs, Heigham, Flewelling, Curtis, Brusch and Selectman Brownsberger voted to **recommend** to the Town and School administrators they take into consideration the availability of \$110K of additional Free Cash to restore the Overlay Surplus cut.*
- *Member Callanan **opposed** said recommendation.*

Subcommittee Schedule

Chairman Widmer reminded the Committee the Saturday morning meetings are January 24th, January 31st, February 7th, and the School is February 28th.

Member Schafer reminded the Education Subcommittee they are meeting with the School Department on 12/12 at 4 pm.

Other

Member Flewelling made a motion, and it voted unanimously to adjourn the meeting at 9:40 PM.

Respectfully submitted,

Kristina E. Frizzell

Recording Clerk