

BELMONT WARRANT COMMITTEE FY08 MEETING MINUTES
FINAL
FEBRUARY 13, 2008, 7:30 P.M.
CHENERY MIDDLE SCHOOL COMMUNITY ROOM

Present: Members Allison, Brusch, Callanan, Epstein, Heigham, Hofmann, Jones, Lynch, McLaughlin, Paolillo, and Widmer; Town Administrator Younger, Town Treasurer Carman; BOS Chair Firenze, School Committee Chair Bowe, Town Accountant Hagg Absent: Chair Curtis; Member Oates and White

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

Vice Chair Brusch began the meeting by informing the Warrant Committee (WC) that Chair Curtis is stuck in an airport due to the inclement weather. She noted that the WC will be working from a backwards agenda tonight. The goal is to determine what number the WC will give to Dr. Holland and Mr. Younger to prepare their "non-override budgets". These budgets - and the implications from them - will be discussed when the WC meets again in 2 weeks. She added that an override is not out of the picture, but that the WC still needs a budget to explain to voters what the fiscal situation would be if an override fails.

Budget Discussion (continued from last week) Vice Chair Brusch: We will address the following issues tonight:

1. The updated revenue figure
2. The proposed School /Town split
3. Free cash
4. OPEB contribution, if any

Revenue

Town Accountant Hagg stated that she is not aware of any additional revenues, with the Board of Assessors being the only possibility. Town Administrator Younger said that he will meet with the assessors next week, and will report back to the WC at its February 27 meeting. Member McLaughlin opined that it doesn't make sense to put \$800K for FY09 in an Overlay Account. It should be \$400K. Town Accountant Hagg noted that the assessors are within their rights to do so. Town Administrator Younger: The lottery aid is secure (would be matched) but that this does not affect the town's revenue. Member Heigham inquired about the building license fees from McLean - are they down? Hagg replied that they are "flat". Vice Chair Brusch asked Mr. Younger to check if the building license figure is looking to be accurate for FY09. BOS Chair Firenze noted that Member McLaughlin wants \$400K in the Overlay Account (as opposed to \$800K) - what would the WC say is a reasonable rate? Hagg replied that they could release money (\$137K) from FY07 and that they have released \$450K from FY05's Overlay Account. Vice Chair Brusch posed two questions: 1) could they release money earlier than they have been doing, and 2) could they be less conservative in the amount released?

The WC turned its attention to the "cuts and add" sheet as prepared by Town Accountant Hagg. There was some discussion on the exact revenue figure, and on the impact of the new electric light rates (155% of current rates) and the impact of those rate increases on town budgets. Free Cash Vice Chair Brusch began the free cash discussion by turning the WC's attention to the following questions: what amount of money will be put toward OPEB this year, and how much free cash does the WC recommend to use and on what? She noted three options: Some or all can go towards the operating budget, some towards operating and some towards one-time expenditures, or all towards one-time expenditures. BOS Chair Firenze added that the WC also needs to address the issue of what is the appropriate amount of free cash to hold over for the next year. Town Accountant Hagg said that she recommends \$1M be held over and in hand at all times for emergency uses, such as disasters, oil spills, etc.

Member Widmer offered that he would be comfortable with a hold back of \$500K. Member Paolillo added that the Department of Revenue suggests that 3-5% of the annual budget be the hold back amount. 5% of the town's current budget is less than \$.5M.

SC Chair Bowe said that drawing down the reserves (as the SD is doing with its reserves) makes sense. You can't ask for money (from the voters) if you have it. Member Epstein asked what happens if the free cash amount is gone? Vice Chair Bruschi replied that the town does have other reserves: the Kendall fire insurance fund (not restricted) and the Cable endowment fund (restricted uses).

Member Heigham moved that the Warrant Committee recommend keeping \$500K free cash as a carry over for the next fiscal year. Seconded.

SC Chair Bowe proposed an amendment to the motion: That the WC recommend \$250K. Seconded.

The amended motion was voted on and failed 10-3: Bowe, Lynch and McLaughlin voted in favor (3), and all others were opposed: Bruschi, Firenze, Paolillo, Widmer, Jones, Epstein, Callahan, Hofmann, Heigham, and Allison (10).

Member Heigham moved the motion regarding the proposed \$500K free cash be the hold over amount. The motion passed 13-0, all in favor.

The numbers now stand at: \$2.9M free cash, less \$800K for operating, less the \$500K free cash held-over amount = \$1.6M of available free cash.

OPEB: (Other Post Employment Benefits)

Member Widmer: We (and a small number of other communities) are currently funding a token amount: \$500K. Widmer suggested to fund OPEB at \$100K for FY09 - which still amounts to a contribution. Member Jones said that he is ok with cutting the \$500K, but added that the town ought to have a policy of what it plans to do year after year. Treasurer Carman summarized a memo that he had written to several WC members, which outlined some ideas for an OPEB policy:

1. 10 % of available free cash, less earmarks for the following year
2. Get matching amounts from enterprise funds (water and sewer, BMLD)
3. Apply 25% of any post health care savings
4. Apply 25% of health care interest earnings
5. Apply non contributory pension policy dollars (2026)

Member Widmer noted that the retiree medical benefits have not yet been addressed. There is no scenario under which the town can pay for these benefits, he continued - the town must curtail its expenditure of both retiree health and pensions. We are promising more than we can afford to pay for. Member Epstein observed that even at \$500K a year, it would take 20 years to fund each year. "It's less than token," he said.

Member Allison: It is much better to have some policy, rather than pull a number out of the air. The town will be bonding big issues soon, relative to what we have bonded in the past. We need to know how to maintain a AAA rating going forward. BOS Chair Firenze: We have reduced the liability by \$10M (from health care changes) and design changes to the plan will reduce the liability further. A third way to reduce this unfunded liability is to offer new hires a new benefit plan. Firenze added that he would support the \$100K, and agrees with the necessity of establishing an OPEB policy.

Member Widmer motioned: That the WC plan to contribute \$150K for FY09 and the WC recommends that an OPEB policy be developed within this budget season. Seconded.

SC Chair Bowe said that since the \$150K is an insignificant amount for OPEB, but that \$150K was a meaningful amount for the operating budget, he would rather the number be changed to 0.

Member Heigham moved the question (as motioned by Member Widmer). The motion passed 12 to 1, with SC Chair Bowe voting not in favor.

BOS Chair Firenze moved a reconsideration: More comfortable at the \$100K amount, to help close the budget gap. Motion to reconsider was withdrawn.

Vice Chair Brusch reviewed the numbers: free cash: \$1.6M less \$150K (not \$500K) for OPEB means that \$350K now goes into free cash figure [500-150=350] + \$1.52M free cash, which leaves a budget gap of \$3,170,000 [or is it \$1.6M ??]. Brusch: What does the WC recommend be done with rest of free cash? [\$1.52M] It was advised that it be put toward one time operating expenses, which is somewhat of a judgment call. The WC agreed that this money be split proportionally between the two budgets and that it be spent on one time expenditures (and not, for example, on new hires). Brusch then asked: How should we allocate the rest of the budget gap? BOS Chair Firenze suggested that the gap be lumped together and then divided proportionally. Town Accountant Hagg: the schools were 56.2% in FY08, the town 43.8%. Member Hofmann motioned to use the present split of 43.8% town and 56.2% school using both free cash \$1.5M and budget gap \$1.6M figures. Seconded. All voted in favor.

No other agenda topics were covered at this meeting.

Vice Chair Brusch reminded the WC that they are not meeting next week, and will meet again on 2/27/08. She asked that non-override budgets be presented to the WC on 2/27. Both Mr. Younger and SC Chair Bowe agreed to comply with this request. Member Heigham moved that the WC adjourn at 9:16 pm.

Submitted by Lisa Gibalerio
WC Recording Secretary