

WARRANT COMMITTEE FY07 MEETING MINUTES
FEBRUARY 28, 2007, 7:30 P.M.
CHENERY MIDDLE SCHOOL COMMUNITY ROOM

Meeting was called to order at 7:30 by Chair Jones.

Present: Town Administrator Younger, Assistant Town Administrator Conti, Town Accountant Hagg, BOS Members Solomon, Brownsberger, and Firenze, School Committee Member Gibson, and Town Treasurer Carmen

Absent: Members Christensen and Tillotson

Discussion of Use of Reserve Funds in FY08 Budget

Chair Jones began the discussion: There exists a high level of free cash this year, approximately \$5M. Belmont's fiscal reality hasn't changed - the high costs of health insurance have led to a crisis situation. Chair Jones noted two areas for potential savings: health insurance, and the management of infrastructure. These both could save millions of dollars, he said, and we ought to focus on addressing these or we are wasting time, as well as taxpayers' money.

With regard to free cash, Chair Jones continued, we know how much is available and we can spend the entire amount without violating the "10% reserve" principle. It is not appropriate, however, to use free cash for operating expenses because this is not recurring money - to do so would build in a deficit for next year's budget. It would be useful, Jones asserted, to invest this money in a way that produces long-term savings, e. g. pavement management, pension fund, etc. Such investments can give a return of 10%.

How to allocate the free cash? It is recommended that \$800K always remain in the budget. The percentage increase in retirement funding went up this year, it is sure to go down next year: the difference could be taken care of with \$200K of free cash. Pavement Management needs \$2.5M. The remaining \$1.5M could be used for capital budget projects such as the HVAC for the high school, retiree health fund, and/or \$500K deposited in a trust fund for the long-term retiree health fund. There are lots of options, Chair Jones concluded, and some free cash is expected for next year.

Before opening the meeting to a general discussion of these options, Chair Jones let Selectman Brownsberger recap a proposal he (Brownsberger) put forth at the meeting on Saturday (2/24/2007).

Brownsberger said: It is responsible to do something with this money, and the principle of not using non-recurring revenue on recurring costs is a valid one. However, free cash is recurring revenue - \$1.3M is expected next year, and more money will probably come in later (if the low revenue estimation continues). Most items in the FY08 budget fall under recurring costs, and the shortage of revenue impacts us on both operating and capital bases. Which base to "short" (i.e., leave unfunded) is a value judgment - one based on political priorities. Keeping operating institutions at good levels for both schools and the Town, Brownsberger suggested, is the most important thing.

Chair Jones responded: Some costs are non-recurring, like the HVAC. And we have done an inadequate job of monitoring revenue estimates - we are coming in too low. Regarding where to invest our resources, Jones continued, the Pavement Management program is very important. Those costs will continue to go up if we fail to make that investment. 70% of the roads need to be replaced from the ground up - neglect of the roads has cost us, and we can no longer just repair them. \$85M will need to be spent over 25 years. The failure to invest now creates huge problems for the future.

Brownsberger replied that if 70% of roads already need complete overhaul, then this (the roads argument) is a red herring in relation to what to do with the \$5M free cash. It's already bad from cost standpoint, and it again comes down to a political priority choice.

Member Paolillo offered that we should not rely on \$1.3M in free cash coming next year, and agreed that we could monitor revenue estimates better. Member Allison spoke to the recurring and non-recurring distinction: an HVAC unit would use a one-time cash investment, and then maintenance costs would go down, thus helping the operating budget overall. If we hire new people, on the other hand, the operating budget will look worse as we have guaranteed a continuous spending of money - we would then have to ask: what is the stream of revenue for next year?

Selectman Brownsberger replied that sustaining the operating side of the Town is not the same as introducing new costs. Again, it comes back to political choice. We may need to have an override to match expenditures to revenues. When asked by Member Heigham what will happen if an override in 2010 fails, Brownsberger replied that cuts would then have to happen that year, but let's educate a few more kids first. He added that the Town has in fact prioritized capital needs with Town Hall and new fire stations - and that the operating side has been squeezed. With regard to pavement management, he continued, put it on the ballot and let the town decide. To which Member Hoffman replied that we did that recently, and it failed 70% to 30%. Member White emphasized the need to balance capital infrastructure needs (roads, Wellington school) with operating needs. Member Bruschi felt that the buildings have suffered because we've invested in staff and added new positions every year, but have not increased the capital spending except by 2.5%. Also, the Town Hall and Fire Stations were funded via debt exclusion and therefore did not impact the operating budget. She said that the purchase of an HVAC is the perfect free cash item.

Member Widmer spoke to two main issues. First, he said, there are overrides and debt exclusions to be considered regarding the roads, the Wellington, the high school, maybe the library - so an override sequencing should be taken into account. Second, we must ask the following questions: What is the rate of growth in spending in an operating budget that this Town can afford? What can we support in a Prop. 2-1/2 world? What's the rate of spending growth that we can handle?

Member Gibson noted that she fully supports Selectman Brownsberger's proposal. There are only a very few enhancements in the school's budget, she said - but without them, class sizes will go up. We must pay to keep the staff we have.

Member Doblin said to not adequately fund the schools is irresponsible in the long run. Excellent schools in close proximity to Boston, she said, is what this Town has to offer. Perhaps, she suggested, we could use more free cash than is currently proposed for schools, but not enough to hurt in 2010.

When asked by Member Curtis about his thoughts on an override, Brownsberger replied that there is a lot of concern among Belmont residents about taxes, which is why he supports the circuit-breaker tax-relief program which, he is hopeful, could be forthcoming from the state. We can't have an override with \$5M in the bank, he said. Thus, he proposed, let's take care of the operating budget this year, and present the roads in a crisp and clear manner to voters in '09.

Member Oates said she supports putting the road question on the ballot, debt exclusions of schools, and sequencing of Town's needs. Member Heigham noted that these increases in both Town and school budgets can only be sustained by overrides.

Member Callanan said she is disappointed that level service budgets have not been presented. We can't afford enhancements, she said, and to use free cash for operating budgets is taking the easy way out.

BOS Member Solomon reminded the WC that any cuts in the budget without using free cash (in the operating side) would mean cuts in personnel for both the Towns and the Schools.

Report of the Pavement Management Committee

Chair Jones led the discussion and referred to the handout "Interim Report of the Belmont Pavement Management Committee - February 2007." (NOTE: A copy of this report from the Pavement Management Committee is publicly available on the Town of Belmont website.) The Committee's objectives include (see page 4 of the handout): "To devise a funding mechanism to bring our streets to an acceptable standard" and "To assure adequate and consistent source of funding so as to work off the existing sidewalk repair back-log within fifteen years". Chair Jones then directed the WC to page 7 and noted that 70% of our roads will require a full-depth reconstruction. Regardless, he noted, we should focus now on the 8% that require only mill and overlay.

BOS Member Firenze concurred that the 8% that need repair do require attention soon, lest they fall into the full-depth category - at many more times the cost. Member Paoillo noted that with inflation costs factored in, it will cost even more for full-depth reconstruction if we delay in doing it. Chair Jones asserted that we need: 1) a dedicated revenue stream to support this for 25 years via an operations override or debt exclusion (stabilization fund for roads) and 2) a long-term plan (with revenue source) that could be coordinated with the utilities departments.

Member Curtis pointed to the political question of how to spend money to fix all roads to an acceptable standard in a Town with limited resources. It will squeeze other parts of budget, he said. Member Widmer offered that this is a "rate of growth" question - we can't fund schools the way they want to be funded every year and clearly we can't afford this road program either.

It is not just a roads issue, said Jones, these bad roads are sitting on top of very old (1920s) sewers. If the roads collapse, they will crumble on top of our sewer system. We need a plan for this, he said.

Report on the Capital Budget

Member Brusch led this section of the evening's discussion. Department heads have submitted their requests, she explained, and in 3 weeks all requests will be vetted by the Capital Budget Committee. There is \$1M available to spend on requests other than roads and we have received requests totaling \$2M. Of the \$1M that has been allocated for pavement management, half of that will go to design & oversight issues (i.e., non-construction).

A discussion then ensued regarding several questions: What if any capital requests could be pushed to operating, what areas that have made requests will not get funded? (Chair Jones asked that these be identified and presented to the WC). Are there any cost savings to be found in the area of trash collecting (for example, a "pay as you throw" program)?

Member Allison stressed the need to take advantage of the opportunity we have this year with regard to collective bargaining and health care costs. The budget problem is insoluble, she asserted, without getting health care costs under control.

Review of minutes postponed until next week's meeting.

Member Heigham moved to adjourn at 9:30.

Submitted by Lisa Gibalerio
Recording Secretary