

MEETING

ADVISORY BOARD

MARCH 6, 2006

Approved 3-13-06

Attending: Doug Boyd, Carol Fitzgerald, Timm Marini, Kathy Pessolano

Absent: Michael Crowley

Also Attending: John D Flynn, James Smith, Duane Mosier, Pam Courtney, Rita Vail, Cindy Bailey, Richard Jones, Bill Olmstead, Dr. Gagliarducci, other residents, and several students from Minnechaug High School.

Payroll Voucher was approved and signed.

Minutes approved for:

- 1/23/06 – Doug Boyd motioned – Carol Fitzgerald seconded – all agreed
- 1/30/06 - Doug Boyd motioned – Carol Fitzgerald seconded – all agreed
- 2/6/06 – Carol Fitzgerald motioned – Doug Boyd seconded – all agreed
- 2/13/06 – Carol Fitzgerald motioned – Doug Boyd seconded – all agreed
- 2/27/06 – Carol Fitzgerald motioned – Doug Boyd seconded – all agreed

All members received an updated version of the working budget.

Kathy addressed the board regarding a conversation she had with Cliff Bombard due to the new revenue projections that he had submitted to the board last week. He said that his new budget figures represent 60% of the Governors proposed budget along with the actual from the last 3 years and averaged the three together. His feeling is that there is going to be more money, and that this is an extremely conservative figure.

Kathy addressed the board and said that after last weeks meeting she was going over the figures. She said that between 2 ½ and new growth we get about \$300,000 every year to appropriate in addition to what we had the year before. The difference of what was voted on in 2006 and the draft recommendation budget that Kathy has done is \$334,848. So clearly the \$300,000.00 figure falls within that comfort level. So that leaves \$34,848 which Kathy said she doesn't have a problem cutting it down to \$300,000 to be more conservative. She has a few ideas on where it could be taken out of. We can take a look at some of these possibilities at the next meeting.

The Selectmen joined the meeting at this point. Kathy asked if the Selectmen received a copy of Cliff's revised revenue projections, with the bottom line figure being \$9,001,529. The Selectmen did receive that information. She told them the conversation that she had with Cliff, which is documented above. She said that the draft budget is a somewhat

collective philosophy of the Advisory Boards goal to keep the operating expenses in line with what the projected revenue is going to be. Hopefully as we move forward and we get additional information, any additional revenue numbers that we get above the \$9,000,000 figure we would like to discuss the possibilities of using that money to fund the warrant articles, as well as putting some money into stabilization and into the reserve account. Kathy then turned the floor over to the selectmen, who wanted to attend the meeting to discuss how they want to see the budget proceed.

James Smith said that he has approached this several different ways. He put together an FY08 outlook, as a way of looking ahead. He said that the other selectmen had not seen this yet. He used the \$9,001,529 figure as a starting point for next year, then added in optimistic increases that we can expect next year (\$410,588). In another scenario he started with the same \$9,001,529 figure but used more historical figures to increase the revenue (\$325,588). Then he added in all the things that we are not taking into account in the budget this year (Town growing at 4%, County Retirement, EE Benefits, Highway Truck, Reserve Fund, E-911, Library-to Full, COA- to Full, New warrants-unknown) which he figured at \$443,500. Then Jim did 3 separate increases for the schools @ 4%, 6%, and 8%. He ended up with the optimistic revenue scenario being (\$9,685,029/\$9,805,029/\$9,925,029) and the historical revenue scenario being (\$9,685,029/\$9,805,029/\$9,925,029). He felt that if we take all of the money in our budget this year and we get \$60,000 increase in state aid or if we don't, the bottom line comes out to being in a deficit of best case scenario -\$272,912 or worst case scenario - \$597,912. Jim said he thinks we have to be very careful as to how we spend our money this year, we certainly have additional monies available, but we must be careful. He said he is leaving his position as selectmen in a few months and he would be more than happy to walk away saying that under his watch everything was restored, but he felt he would be doing a disservice to the town if he didn't raise a red flag and say what will happen next year if we're not careful with what we do this year. He did the same scenarios for FY09 and he sees a deficit ranging from \$435,000 to \$675,000. He said we can't account our way out of the deficit and we can't ignore it.

He is recommending that when we do budgeting that we look forward at least 3 years for operating expenses. He is also recommending that we should make all restoration of services this year subject to an override. We could have a two tier override, one for full restoration of services and one for partial restoration of services. He feels we need to include enough extra funding in the override to cover the next 3 years of operating expenses. If we don't we will be back next year looking for another override. He is recommending that we don't hold town meeting open beyond the normal date, if we do so then all we are doing is mortgaging into the future.

Kathy asked Jim why he is assuming that if we come into extra money that we are going to plug it into operational expenses, when, since we've begun meeting in the fall, our goal has been exactly the opposite. Jim said if you take all the revenue that are coming in this year, and you use them for operating expenses and you don't buy any of the capital items that we have been deferring for years, then you are taking your capital expenses and using them for operating expenses. You should take some of the money that you are

getting this year and use it for your small capitol expenses. Kathy said that she thought that was what they had planned on doing, not building it into the operational budget, we were planning on trying to keep the budget under \$9,000,000.

Jim continued by saying that we have a deficit and that growth and 2 1/2 are not going to erase that deficit. If we spend the extra money this year, we are going to knock \$80,000 off right away in cost for County Retirement. He would ask the school district to be conservative in there projections. He also recommends putting any extra money into stabilization fund and free cash. He said this is all his point of view and he was happy to share that and welcomed others points of view.

Duane Mosier said that the presentation that Jim just did parallels his feeling about how we are going to manage our money. We have a lot of wants but we have a limited funding mechanism. He sees that our growth will never grow us out of this position and he believes that we have to be putting our dollars into building our reserves and taking care of our infrastructure before we start funding to restore services. We are either going to provide services and the town will continue to deteriorate physically or we are going to have to start addressing the infrastructure.

Timm asked if the infrastructure was accounted for in Jims' scenarios. Jim said it was not but that they have the separate \$3,000,000 for roads and bridges.

Kathy asked if Jim had factored in the remaining money that the town owes, the money we have been paying \$250,000 on in the past 5 years, will become nonexistent in FY08. Jim said he took all debt out of his scenarios because all of our debt is subject to a separate proposition 2 1/2 debt exclusion, and once that expenditure goes away so does revenue stream. Kathy said that the taxes will then decrease; there would be an adjustment in the tax rate. Duane disagreed saying that Green Meadows will be kicking in so it's going to level that out.

Doug said that that money is largely override money, so when it falls off we are not going to be able to recapture it through general levy. Jim said that is correct and that you could use that as a selling point for an override, telling the people for the same tax rate we could bring in this additional revenue, but you would have to have an operational override.

Doug asked Jim, that looking at the numbers he gave us, if he was making a case that there is a structural deficit that has developed over a period of time. Jim said yes he was. Doug wanted to know if Jim had come up with an opinion as to where that structural deficit came from, how it developed over time. Jim said that basically we have going multiple years without a substantial 2 1/2 override for operational expenses, and these expenses for both the town and the school district have exceeded the amount of money that comes in with new growth and 2 1/2. We have twice raided the stabilization fund and free cash, and the outcome has been disastrous. The towns people said we cried wolf when we were able to meet the budget after the override failed. If the services are

restored without an override, and things are fine for a year, and then we need an override again, what are the people going to think.

Kathy asked Jim, knowing that the infrastructure is in trouble, why he felt that the town that voted NO in the past years on the override question, would now pass an override. Did he think that because we closed services the people will now vote YES? Jim felt that the services can't come back without an override because this year things would be fine but then we would find ourselves right back where we are next year. Doug asked Jim if he was proposing not restoring any of the services without an override. Jim said yes.

Kathy asked if Jim had a figure in mind and Jim gave a figure of \$500,000. Kathy wanted to know how he would approach it, one lump sum or a menu. Jim stated he didn't think it would be a good political move to do a menu because it turns things into a contest.

Kathy told the selectmen that the advisory board has not discussed the budget yet. They wanted to hear how the Selectmen felt. They will begin discussing the budget at next weeks meeting, but emphasized that the Highway budget should be a priority. She also said that she feels an override won't pass.

John Flynn stated that all communities are facing similar situations. The fact that it is an election year, we may get a one time infusion but then that may be dropped the next year. The taxpayers will speak at town meeting and if they say that this is all we get (XXX amount of dollars) and they don't want an override, then we have to work with what we get. He feels that safety is paramount, the roads and bridges need to be taken care of. The town has learned to exist with the budget we had to work with last year, so he feels that partial restoration is the way to go.

Kathy also said that what happens in March isn't what happens in April. The figures are constantly changing coming up to Spring town meeting. If we continue Spring town meeting we may find out if there is going to be any extra money, and if so maybe we can do one time purchases or expenses. She mentioned that she had talked with Michael Crowley prior to the meeting, he could not attend due to illness, and he wanted it known that he is opposed to an override, but that she didn't know if the presentation that Jim gave may change Michaels' view.

Doug Boyd motioned to end the meeting and Timm Marini seconded that motion.

Meeting ended at 7:30pm. Next meeting scheduled for Monday March 13, 2006 at 6:30pm.

Respectfully submitted,
Ann