

## REPORT OF THE BOARD OF SELECTMEN

“Lessons Learned” is perhaps the most appropriate sub-title for this year’s Selectmen’s Report. Pure and simple mathematics caused the town to have to shut down or reduce significant services this year. There simply was not enough available revenue to support the budget requests. The lessons learned come from reflecting on the complex, multi-year financial and political build-up to this mathematical breaking point.

Proposition 2 ½ gives the voters the power to control revenue growth and, ultimately, spending. For three years in a row the voters were asked if they wanted to fund level services by increasing revenues beyond the Proposition 2 ½ limits. Each year they said “no”. Yet in the first two years, in order to maintain services, the town meeting was presented with budget options that allowed services to continue. This was accomplished mainly by three significant, yet entirely legal, means: (1) depleting our savings such as our “free cash” and stabilization fund; (2) accelerating and/or maximizing revenue projections (for example, holding town meeting open waiting for and additional state aid, rather than letting any unanticipated revenues replenish free cash), and (3) deferring necessary expenses like replacing police cruisers or highway equipment.

Because each failed override had no immediately visible consequence on town services, the voters developed a false sense of security. Many even openly dismissed the warning statements coming from the Selectmen and Advisory Committee that we were headed for trouble.

Failed overrides were only part of the picture. On the “uncontrollable” side of the equation, there were local aid cutbacks from the state; increased state mandates; and soaring insurance costs to name a few. On the “controllable” side of the equation, the only significant areas of potential savings were in labor costs. To this end, town employees had their hours cut and benefits reduced. They also had no pay increases for one year. Two of the three town’s bargaining units agreed to a one-year zero increase and the third union is still in negotiations with a de facto zero increase for the past two years. The Hampden Wilbraham Regional School District had similar “uncontrollable” cost increases. Unfortunately, however, they did not implement labor cost savings similar to those implemented by the town.

To avoid pitting one department against another, the Selectmen and Advisory Committee chose not to aggressively confront disproportionately large budget increases in single departments, or to make those increases subject to separate overrides. Also, to avoid reducing services, budget options presented to prior years’ town meetings were based on positive short-term goals rather than realistic long-term projections. Unfortunately that positive “can do” attitude could not trump pure mathematics. Thus, the following lessons were learned:

## **REPORT OF THE BOARD OF SELECTMEN P2**

- We need to go into town meeting with conservative revenue projections, even if those numbers cause immediate cutbacks in services. We must not accelerate revenue projections to meet short-term needs.
- We must not spend our stabilization fund on operating expenses.
- We must not hold town meeting open, waiting for “last minute” state aid, leaving nothing to roll into the next year.
- And finally, we must make any disproportionate budget increases subject to separate overrides.

In closing the board would like to thank Mark Barba for his service as a member of the board for the past three years. We would also like to thank all the elected and appointed officials as well as the countless volunteers that work together to make Hampden such a great community in which to live.

Respectfully Submitted:

James D. Smith, Chairman  
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