

PRESENT: Selectmen Lyndon B. Johnson, Joseph A. Sergi and Patrick J. McNabb; Robert Hanson, Town Administrator; Peggy Mazzola, Administrative Assistant; Finance Committee members Diane Gaspar, Chris DeSimone, Burke Bero, Jeanne LeBlanc, Chris Johnson, and Stephanie Cronin; Theresa Walsh, Town Accountant; several department heads and employees

The meeting was called to order at 7:03 PM.

ACCEPTANCE OF MINUTES: On a motion by Mr. Sergi and seconded by Mr. McNabb, the minutes of the meeting of August 4, 2008 were unanimously accepted as submitted. The Finance Committee will approve the minutes at their next meeting.

ACTION ITEMS:

Item #1 – Discussion – with Finance Committee: Mr. Johnson thanked everyone for coming and for returning revised budgets. Mr. Johnson stated that, contrary to rumors, he felt the consensus of the Board of Selectmen and Finance Committee was to draw funds from stabilization to balance the budget. If the voters approve then the budgets will be set for FY '09. Next year the Town will be faced with a \$1.7 million deficit and an override will be needed. The purpose of the exercise was to be prepared with a back-up plan if the stabilization vote fails. Looking at what the departments submitted, the cuts would be devastating. Everyone is tight with their budgets as it is. Mr. Johnson stated he hopes that this exercise and future meetings will make people aware of the services provided and the need to bring revenue above the 2 ½% allowed.

Ms. Gaspar stated that some departments were constrained to make any cuts, and if the stabilization vote doesn't pass we will have to revisit all budgets.

Ms. Cronin stated that many cost saving ideas have come from some of the departments, and these ideas will make the community stronger. Ms. Cronin is not sold on taking 100% of the deficit from stabilization. Some department reductions would not be devastating. No one wants layoffs, but we will lose a good amount of our savings this year. Next year people will be more aware that there will be layoffs. Ms. Cronin wondered if taking \$1 million from stabilization was the best decision.

Mr. Sergi stated we have to be prepared for a negative vote and have some information to make a recommendation. Mr. Sergi commented his sense is that people will vote to take the money from stabilization. The solution is not just making cuts but looking at delivery of town services. Over the coming months we should look at and question everything. Perhaps there is a different model we should look at. Everything has to be open for negotiation in FY '10. Perhaps we should be looking at the percentage the Town pays for health insurance, or contracting our payroll services.

Mr. McNabb stated a 10% across the board cut would be \$574,000, and would mean layoffs, reduction in services, and no money for supplies for many departments. At 5% the cut would be \$287,000. We have to come up with a second option in case the stabilization vote does not pass. Some departments will be more affected by cuts than others, and he would like some feedback from departments on a 5% cut.

Mr. Johnson stated that 15% would be \$862,000; with a \$1.5 million deficit in FY '10 a 15% reduction would only put us halfway there. The deficit is not just because of the schools.

Peter Shattuck stated the town departments are more important than the schools. Mr. Johnson stated the Board intends to meet with the school officials and explain our problem. Mr. Sergi remarked that the schools manage town meeting.

Mr. DeSimone stated he does not agree that cuts should be made and the deficit should all come from stabilization. At Town Meeting we told people we'd take the \$1 million from stabilization if the override vote didn't pass. It could be that people may have voted differently on the override if we didn't say that at Town

Meeting. Also when the Finance Committee reviewed the budgets, every department complied with the budget message; then we asked them to cut more and most cooperated. To punish the departments again because the schools got what they wanted is wrong.

Mr. Sergi asked what the ramifications would be if Town Meeting had to be delayed while new budgets are prepared. Ms. Walsh stated we must balance the budget so we can set the tax rate. Mr. Hartnett stated we don't have the same luxury as cities with regard to tax bills. Mr. Sergi stated that we must be prepared with a recommendation if the stabilization vote fails. Mr. DeSimone stated the likelihood of the vote failing is probably 1 in 5,000. Ms. Gaspar stated the voters look to us to advise on how the town should be managed, and giving that authority to the voters who are not in a position to make that kind of decision is wrong. Mr. Sergi remarked that our backs will be against the wall at town meeting and we must have a fallback plan, however he also believes the vote will pass.

Mr. Johnson commented that someone at town meeting will start a discussion on the stabilization vote, and some people think the town spends too much money; a 2/3 vote is required and we have to be prepared.

Debra Spratt stated that some of her budget has already been expended by Town Meeting, and she wondered if she should start cutting back now.

Mr. Sergi stated it was a lot to ask of the departments to go through this exercise, and he asked whether the department heads want to be involved in the process. The budgets are tight and cuts are likely, if not in FY '09, certainly in FY '10. The departments have provided great documentation for us to follow as guidance if the stabilization vote fails.

Chief Davis stated he would like to hear that the Board of Selectmen and the Finance Committee are on the same page. Mr. Johnson and Mr. DeSimone stated they support the stabilization vote. Ms. Gaspar stated the FinCom weighed in on this at Town Meeting. Mr. Johnson stated we are trying to make a qualified decision, and if we don't start now people will be uninformed. Mr. Sergi stated the FinCom made a recommendation at Town Meeting. We are not saying we want cuts made. It is his understanding that the solution proposed by FinCom still holds, but we have to do our job and have something to present to the voters.

Mr. Hanson stated the motion at Town Meeting will be to take the \$1M from stabilization; if that fails, we will have an alternate motion prepared. The motion does not have to appear on the warrant, but we will have the alternate motion ready. Mr. Sergi stated he thinks people understood that the deficit would come from stabilization. Ms. LeBlanc stated people would not empty their savings to pay bills, and this is what we're asking the voters to do.

Mr. Shattuck stated he fears "old Pepperell" will vote down the override next year and we'll be faced with saying goodbye to our employees. We should at least have our employees prepared and if something better comes along they should take it.

Ms. Cronin stated she still did not feel we should take all the money from stabilization. Mr. DeSimone stated it makes no sense to make people cut in case something happens next year. We let the schools take our money to hire management, not educate our children, and people should be outraged. Ms. Gaspar stated the school committee doesn't listen to us. Ms. Cronin commented that if they weren't willing to work with us in FY '09, what makes us believe it will be different in FY '10? Ms. Gaspar stated it is up to us to mobilize and draw a line in the sand. Ms. Walsh stated we're told the school committee members represent the schools, not the town. Mr. Johnson suggested then that the voters need to elect new school committee members who will represent the town. Mr. Hanson stated the law says that two of the three member towns set the budget for all three; the towns only vote on the bottom line and the schools can then spend the money any way they want. Mr. Johnson stated the school department manipulated the budget to make it affordable to Townsend and

Ashby. Mr. Hanson stated if the budget fails in two towns, then the school department can call a district-wide meeting and vote in the budget.

Chief Davis remarked that the deficit is not because of the people in this room, but because of the schools. Mr. Hanson stated the school department is only part of the problem; there is no new growth, decreased revenue from excise taxes, and the rise in heating oil also add to the problem. Chief Davis stated the majority of the problem is the school department pushing a 6% or 7% budget down our throats; they've done this year after year. Mr. Johnson commented the school department doesn't hold to their promises, and they have all the control. Ms. Gaspar stated we have elected school committee representatives who are not hearing us. Mr. Johnson stated more people will be upset with school cuts than town cuts. Chief Davis remarked the voters support the town services as well. Debbie Nutter stated those same moms that support the schools put their kids on the buses and they also count on the roads being clear so there are no accidents. Mr. Bero stated that even if the schools reduce their budget for FY '10, we will still be \$1.7 million short. We have to start educating people, and present the situation in a way so they understand we must pass the override.

Mr. Johnson stated the Town can't use public funds to sway a referendum vote, so we need to come up with other ways to get the message out. Ms. Gaspar stated the schools have a captive audience, and we don't have that advantage. We have public meetings that are posted in Town Hall and on the website and some meetings are broadcast. Ms. Spratt commented that she would not have known this meeting was being held in the Senior Center if Sharon Mercurio hadn't sent an e-mail to everyone. Mr. DeSimone stated the school committee holds meetings and puts fear into the parents, and then they hire more management. Ms. Mercurio commented that the two new positions at the high school would cover her budget. Mr. Johnson suggested if enough residents attend the school committee meetings they will be heard. Mr. Hanson stated a tentative meeting has been scheduled with the superintendent on September 22nd. Mr. Sergi suggested the Selectmen's agenda be sent to all town departments. Mr. Hanson suggested we could have a space problem.

Mr. McNabb asked if the consensus was to have the Board of Selectmen and Finance Committee come up with a plan without department feedback. The consensus was no. Mr. Hanson stated the process of formulating revised budgets should be done with department head input, but at some point someone will need to make a decision, and not a meeting of the whole. Mr. Sergi asked if the department heads would give the Selectmen and Finance Committee a chance to work on the budget reductions, but no decision had been made as to how much. Mr. Johnson remarked that it appeared there were three or four people that were not in favor of using the stabilization fund to balance the budget. Mr. DeSimone suggested the first step is to see if the FinCom and Selectmen agree that the first option would be to use stabilization. Mr. DeSimone motioned to fund the deficit from the stabilization fund. Ms. Gaspar seconded. The motion passed with seven in favor, and Ms. LeBlanc and Ms. Cronin opposed.

Ms. Cronin asked how the warrant article would read. Mr. Hanson replied the article will ask what sum of money will be taken from stabilization to fund the deficit, or take any other action relative thereto.

Sue Snyder suggested a separate committee be formed to work with the departments on the 2010 budgets. Mr. Hanson commented we already have the Finance Committee and an ad hoc committee would just add another layer of people to go through. Mr. Hanson stated if it is the intent to split the deficit between stabilization and budget reductions, he didn't see what benefit we are creating. The bonding company looks at the fact that we're dipping into our savings to balance the budget every year and not the actual balance in the stabilization fund. Mr. Shattuck suggested we needn't be concerned with the bond rating since we won't be doing any new construction. Mr. Sergi stated the Town will not be going back out to market for a couple of years. Mr. Hartnett stated it would be three years and a lot can happen between now and then. Mr. Sergi stated we have to be prepared; we have dedicated employees and he supports them, but the reality is such we're not doing our job if we're not prepared.

Eric Smith stated he applauds the two members of the Finance Committee who went against the majority. People want to see evidence that action is being taken and the town needs to implement cost saving measures. Whatever cuts are made now will mean less problems in the future. He feels that there is a better chance the stabilization vote will pass if some reductions are made.

Mr. Sergi stated his initial reaction was that we needed to make cuts, but then he was reminded of what was committed at Town Meeting. Voters were told we would balance the budget with a Proposition 2 ½ override or by taking money from stabilization, and that's why they voted the way they did on the override. We have to honor the commitment we made. Mr. Smith remarked that the Town should be looking at what will happen down the road now. Chief Davis stated there probably isn't any department that is thinking of increasing their budget next year.

Mr. McNabb stated if there's anything we can implement now we should look at it, and see if there are any savings that can be realized now. Mr. Shattuck remarked he does that every day and severe cuts to the town budgets will mean that the town won't see the services they have seen.

Mr. Smith stated that Mr. Hanson mentioned that the enterprise funds are untouchable, and asked if the Canal Street sale could somehow benefit the town. Mr. Hanson stated the proceeds from the sale can only be appropriated for a bondable purpose according to state law. The cost to move the Water Department was voted on at Town Meeting to be offset by the sale of Canal Street.

Mr. Johnson stated our backs are against the wall, and we need to think outside the box; creative ideas are a very small part of the cuts that will need to be made.

Ms. Cronin asked what will happen if the motion to take the money from stabilization fails. Mr. Hanson stated a substitute motion will need to be ready. He suggested that perhaps the Moderator could limit substitute motions to just one or two.

Frank Quattrochi commented he would be interested in seeing what cuts could be made without cutting staff. Mr. Hanson stated the figure would be relatively small. Mr. Sergi stated if cuts were made to supplies then there will be no dollars available for employees to do their jobs.

Mr. Johnson stated a 5% cut would be \$287,000 with severe cuts in staff. Mr. Hanson stated that in addition to losing personnel completely, employees who have their hours cut may leave and will be hard to replace. Ms. Spratt stated there is also a hiring freeze.

Mr. DeSimone suggested that if the stabilization vote doesn't pass we should adjourn town meeting and come back with a plan; if we already have the plan at Town Meeting folks will want to hear it and have a two hour debate. Mr. Hanson suggested it would be an even longer debate, and people will have time to think about it, if we make the voters come back a week later. Hopefully the vote will be taken at face value. Presumably the motion will be for \$1 million from stabilization. If the article states \$1 million, the motion could be less and if someone tries to amend the motion they can. If the amendment fails then the vote will be taken on the original motion. Mr. Johnson suggested if the motion is going to fail we will know that during the discussion period.

Mr. Hanson stated the motion will be to see what sum of money will be taken from stabilization to offset the deficit in the school department budget. It has to read that way since the override vote was for the school budget.

Fire Chief Toby Tyler, addressing Ms. Cronin, asked her what she would do to balance the budget. Ms. Cronin stated she didn't know.

Discussion ensued relative to a dollar amount that would be proposed for budget cuts. Ms. Gaspar suggested \$192,000, which is equal to 5% according to the spreadsheet prepared by the Town Accountant. Mr. Hanson suggested rounding the figure up to \$200,000. Ms. Cronin asked if the budget reduction would result in

layoffs. Ms. Spratt suggested that the voters need to understand what will happen if cuts are made. Ms. Gaspar stated there will be an opportunity at the Special Town Meeting for department heads to make a presentation. Mr. Johnson suggested that every department has a way to outreach, and they need to get those people to support them at town meeting. Mr. Johnson stated the voters need to see the human element of what the cuts will mean.

Mr. DeSimone stated the Finance Committee spent three months going over all the budgets, and he didn't feel he could make a decision on the reduction amount in 10 minutes. Chief Davis remarked he was irritated that some department heads didn't make any cuts to their budgets. Mr. Hanson stated we can't succumb to pointing at other departments.

Mr. Sergi commented that we are trying to anticipate what will happen at town meeting and what dollar amount the voters will be happy with.

Mr. DeSimone proposed that a subcommittee comprised of three FinCom members, 2 Selectmen, 2 Department Heads and 1 citizen be formed to plan for FY '10; this subcommittee should have a report prepared no later than November 1st. Mr. Hanson asked if this subcommittee would have any authority delegated to it. Mr. DeSimone said they would make recommendations only. Mr. Shattuck suggested this would just add more fuel to the fire. Mr. DeSimone asked what strategy would be used for proceeding. Mr. Hanson suggested the documents before the two boards are a jumping off point. Without "looking for more work" he suggested that the Town Accountant, Treasurer/Collector and himself get together to review and draw up an initial document to address issues without additional bureaucracy. He believes they would be more than capable of addressing the issues.

Roland Nutter remarked that Mr. DeSimone makes a good point, and wondered what the strategy would be for next year. Mr. Nutter feels the town needs to make a unified front to the school committee. Mr. DeSimone stated the FinCom and Selectmen did that this year.

Mr. Bero remarked that if Mr. Hanson, Ms. Walsh and Mr. Hartnett put their ideas on paper, then Mr. DeSimone's subcommittee idea could work for us. Mr. Johnson stated he believes we should just start with those three individuals working on the problem, and if anyone has any other money-saving ideas they should be forwarded to the Selectmen.

Ms. Gaspar stated the Finance Committee will meet next Thursday at 7 PM to review the proposed budget reductions.

OLD/NEW BUSINESS:

There was no other business before the board.

ADJOURNMENT: On a motion by Mr. Sergi and seconded by Mr. McNabb, it was unanimously voted to adjourn at 9:10 PM.

Respectfully submitted,

Peggy Mazzola, Administrative Assistant

APPROVED: BOARD OF SELECTMEN:

APPROVED: FINANCE COMMITTEE:

Lyndon B. Johnson, Chairman

Burke Bero

Joseph A. Sergi, Clerk

Stephanie Cronin

absent

Patrick J. McNabb

Shaun Cummings

Chris DeSimone

Diane Gaspar

Chris Johnson

Jeanne LeBlanc