

PRESENT: Selectmen Lyndon B. Johnson, Joseph A. Sergi and Patrick J. McNabb; Robert Hanson, Town Administrator; Peggy Mazzola, Administrative Assistant

Mr. Johnson called the meeting to order at 7:00PM.

ACTION ITEMS:

Item #1 – Discussion – FY '10 Budget: Present were Finance Committee Chairman Diane Gaspar and Town Accountant Theresa Walsh. Mr. Sergi stated the Finance Committee is looking for direction from the Board regarding where we see things going in FY '10. Mr. Sergi suggested we wrap-up the Saturday discussion, look at the information we have, and come up with a recommendation to the Finance Committee. The unions have been invited at Mr. Sergi's request to discuss what the unions can do to help us and how committed they are to the Town.

Ms. Walsh provided the Board with updated numbers based on the projected level funded school budget and transportation figures. Mr. Sergi commented he would still like to hold the line with the understanding that the schools will level fund their budgets. Mr. Johnson asked what would be a "comfortable" balance in free cash. Ms. Walsh stated she would not want to see free cash go below \$400,000, as part of the concern is cash flow.

Mr. McNabb expressed concern with other major assumptions, such as new growth and state aid. Ms. Walsh stated she is optimistic that the projected meals and rooms tax will push the town's state aid up a little. Mr. Sergi asked if funds will be taken from the retirement fund; Ms. Walsh stated they have included \$200,000 to help balance the budget. The operating budget is what it is, and the Finance Committee is trying to whittle it down. Mr. Hanson commented that personnel actions will affect the budget. Ms. Walsh stated the enterprise fund budgets are all self-sufficient and contribute to the general fund. Mr. Sergi stated that landlord/tenant agreements could be looked at in the future regarding buildings used by the enterprise funds, and asked what the fund balances are for the enterprise funds. Ms. Walsh stated that the Transfer Station has \$160,000 in free cash, while water and sewer each have approximately \$400,000 to \$500,000 each. Mr. Sergi asked if there was a target amount to be maintained. Ms. Walsh responded there is no target amount at this time. Mr. Sergi asked if it would make sense to retire some of the debt service early. Ms. Walsh responded this would be a question for Treasurer/Collector Michael Hartnett. Mr. Sergi asked what the projected balances were in stabilization and free cash. Ms. Walsh responded the projected total is \$1,656,398. Mr. Sergi remarked there are a lot of unknowns, and we may have to re-evaluate as far as a safe draw down, which he thinks should be \$500,000. Ms. Walsh stated there will be \$600,000 in the stabilization fund though she doesn't know what is on tap for Capital Projects; she stated they are expecting \$90,000 to pay for cruisers. Mr. Sergi asked if there is a maximum amount that can be drawn from the retirement fund. Ms. Walsh stated there is no maximum, but any funds taken from the retirement fund must go towards the retirement assessment. Mr. Hanson stated this requires state approval; he doesn't think the state would deny any amount, but the town could receive a "stern" letter from the state. Ms. Walsh stated the retirement fund was originally created to pay for unfunded liability; the Town withdrew \$200,000 last year and \$511,000 the year before. Mr. Hanson remarked that the \$511,000 was not just used to pay down the retirement assessment, but was also used for pre-payment for early retirement, which saved the town a lot of money. Ms. Walsh stated she felt it was prudent to use \$200,000 from the retirement fund. Mr. Sergi stated he would support this.

Mr. McNabb asked how the local aid cuts for this year affected the budget, and what other major hits were coming for this year. Ms. Walsh stated the snow and ice budget is \$30,000 in the red, and there is \$2,000 left in the Highway Department's overtime budget. There is \$100,000 in the reserve fund. Mr. Hanson stated there is legislation moving forward to cover costs from the ice storm not covered by FEMA. Mr. Sergi commented the town should receive \$120,000 in reimbursement, and that additional

clean-up will increase that reimbursement. Mr. Hanson stated the cost given to FEMA was \$190,000. Mr. Shattuck stated the reimbursement rate is 75%. His concern is the amount of material remaining that needs to be cleaned up. Some clean-up was done prior to the snow storms, and he doesn't know how long FEMA will give the Town to finalize clean-up and submit for reimbursement. Bob Lee drove around with a representative from FEMA and showed them what needed to be done. This is all on paper with FEMA, and they are waiting to hear back.

Mr. McNabb asked if the Oak Hill Road culvert was in the budget this year. Mr. Shattuck stated he paid for the repairs out of the budget with the understanding that the Finance Committee would grant a reserve fund transfer if needed. This was an unforeseen collapse and not budgeted; the cost so far is \$8,000. Mr. Sergi asked if this item would be eligible for a short term bond. Ms. Walsh stated the cost is too low for bonding. Mr. Shattuck stated he is hopeful he will be able to get through the rest of the year without needing extra money, but he didn't think that would happen.

Mr. McNabb remarked that the best-case scenario would be that the Town would be reimbursed 100% for the storm cost. Ms. Walsh commented that whatever the Town receives for reimbursement will be backed out of the Highway Department's budget.

Ms. Walsh stated they have reduced the expected close-outs for the end of the fiscal year to account for the local aid cut, and are hopeful the local receipts come in as projected.

Mr. Johnson asked what we would be looking at for a deficit after we draw down the reserves to a comfortable amount. Mr. Sergi remarked that he believes we have options. We are optimistic that the school department will hold the line and anticipate a \$484,000 reduction in their budget; he continues to be optimistic that unions and contractual employees will accept a wage freeze resulting in a savings of \$160,000 to \$165,000. Mr. McNabb stated step increases will cost the town \$163,000. Ms. Walsh stated steps and 3% COLA will be \$163,000.

Ms. Gaspar stated the Finance Committee is looking for guidance from the Board, and has a sense the Board does not support an over-ride. Mr. Johnson stated the Board is not in agreement on an over-ride.

Discussion turned to various budgets and items that could be cut. Mr. Sergi suggested the GIS budget could be cut by \$10,000. The Finance Committee's recommendation was to eliminate this expenditure, and Mr. Hanson asked that the budget be funded at \$10,000. Mr. Hanson remarked this was a request from the GIS Committee. Ms. Walsh stated the Finance Committee has not met with the GIS Committee to discuss this issue. Mr. McNabb commented he is not sure why we should fund this item. Mr. Hanson stated this can not be abandoned, as we are on the verge of producing a useful product to the Town. The investment has been made and he does not feel the town should stop the momentum on this project. If the budget is eliminated the Town could spend \$150,000 trying to get it going again as information will go out of date and software will expire. Mr. McNabb asked how much this information is used right now, and by which departments. If the sewer or water departments are using this information, they should fund the project. While he is not saying it isn't important, he doesn't feel it is needed right now. Mr. McNabb asked how accurate the information is, and how useful it is. Mr. Hanson stated the scale is accurate to less than a meter. Mr. McNabb stated he would like to confirm that with Mr. Lee.

Mr. Sergi stated we don't want to close down the shop, but it would appear that an over-ride discussion is not feasible. Mr. Sergi does not want to dismantle everything we've done. Mr. McNabb stated the Board needs to prioritize critical budgets. Mr. Sergi stated he would also like to look at savings in the Board of Health, and the option of joining the Nashoba Associated Boards of Health should be looked at again for financial merit and should be considered by the Finance Committee.

Ms. Gaspar stated that relative to GIS, the Finance Committee would like a representative from the GIS Committee to attend a meeting and discuss the GIS budget. As far as Nashoba Boards of Health, the bottom line last year would have resulted in a savings of \$38,000. This was a very emotionally charged issue regarding personnel and turn-around time. Mr. Sergi stated he didn't feel he had enough information to make an informed decision on this issue. Ms. Gaspar stated she attended one of the Board of Health meetings at which a representative from Nashoba Associated Boards of Health made a presentation; people will believe what they will, and it is up to the Selectmen to get the Board of Health on board to present this again. Mr. Johnson stated he feels this needs to be revisited, and would like to have the Board of Health attend a meeting to discuss the issue. Mr. McNabb stated the Board of Health wants to present two articles at the Annual Town Meeting, one with Nashoba and one without and let the people decide.

Mr. Sergi asked if the Forest Warden budget could be eliminated. Mr. Shattuck stated the \$1,050 budget is used to buy fire hose.

Mr. Sergi asked if the Finance Committee has looked at the Recreation budget. Ms. Gaspar noted that the Finance Committee is not recommending funding for summer playground.

Mr. Sergi commented that one solution was to look at reduction of administrative/support staff and part time positions as Mr. Hanson had presented; if we can't get people to agree to wage freezes, then we will face possible furloughs and layoffs. Ms. Walsh asked if this included administrative staff. Mr. Sergi replied he understood this to include support folks across the board, including the Board of Health secretary and a few other departments that have administrative support. The question is whether we can do this without layoffs. Ms. Gaspar asked if it was at the Finance Committee's discretion to go through the general government budget and reduce hours for full time and part time staff. Ms. Walsh asked if they should be looking at reduction in hours across the board. Mr. Hanson stated his scenario called for a two-hour per week reduction for benefit employees and a four-hour per week reduction for non-benefit employees, which would save approximately \$58,706. Mr. Sergi commented the Board will ask collective bargaining units for a wage freeze, and asked if this figure was for those employees outside the collective bargaining units. Mr. Hanson replied this figure represents non-contractual employees only. Mr. Sergi suggested the Board focus on administrative support positions to see if there could be any consolidation of positions. Mr. Shattuck commented that the non-contractual employees are taking a double hit with no raise and now a reduction in hours. Mr. Sergi stated there would be no layoffs to DPW and police. Mr. Johnson remarked that \$50,000 is a significant savings.

Mr. McNabb stated he took a different approach and looked at the bigger picture. If we can close the gap this year we will be in a better position next year. He stated he went through most of the departments, but did not look at cuts to Veterans' Services, Emergency Management, Communications, Fire or EMS; these departments are all on life support anyway. He suggested the Board look at regionalization of the Communications Department. Mr. McNabb outlined his proposed cuts, resulting in a savings of \$500,000; if highway personnel and police officers are laid off, the net savings after paying unemployment insurance would be \$390,000, with a savings of \$625,000 the following year. Mr. Hanson commented that a reduction in hours whacks people who haven't had a pay increase. Mr. Sergi commented that managers, such as Peter Shattuck, Lois Libby, and Mike Hartnett would still be getting raises. Mr. Hanson stated that only about 20% of the non-contractual employees are due step increases. Mr. Sergi remarked they would still get their longevity payments. Mr. McNabb commented we will be going through the same thing next year. Mr. Sergi stated we should be cautious about making across-the-board cuts because he feels that some departments may be able to absorb the budget reduction. He stated he didn't take that approach.

Mr. Johnson stated he would like to let the people decide on an over-ride, which would be a \$30 per quarter tax increase versus devastation of town services. Departments have fought for years to get to the levels they're at now, and he would hate to go back and cut people. Mr. Sergi asked if Mr. Johnson thought the voters would support an over-ride, since the last over-ride vote was defeated. Mr. Johnson stated that the voters knew we had money in the Stabilization Fund. Mr. Sergi stated his proposal would not shut down town services. Mr. Johnson stated he has been on the board for the last six years and saw departments fight for what they have; he would like to see the board meet in the middle and get down to \$300,000. The voters need to see we have done due diligence. We are not talking about positions, we're talking about people.

Mr. Shattuck stated if the highway secretary is eliminated we would have one very expensive secretary at the highway department. Transfer station stickers take an enormous amount of time to process, and the phones ring constantly during a storm. Mr. Sergi suggested looking at consolidating roles. Mr. Johnson remarked we have to realize exactly what we're cutting.

Chief Davis remarked he couldn't understand how Mr. McNabb came up with the numbers he presented. Mr. McNabb stated to get to a number spending has to be controlled. Chief Davis stated he needs to know the function of the departments, and doesn't feel that Mr. McNabb does; he knows what it takes and his department is not over-staffed – it's under-staffed. There is no fat in any of the budgets; Mr. McNabb is asking people to do the same work for less money. Credit should be given to the departments, which were all level funded. Chief Davis stated he saved \$70,000 in wages by not filling his recent vacancy. There needs to be a charted course by the Board of Selectmen, but what he's hearing is three different positions with personal opinions. The school employees are getting a 2 ½% increase, and he asked if they were asked to freeze their wages. Mr. McNabb stated he doesn't know what every person does, and his opinion is not directed at any one department; the bottom line is that in the private sector there are wage freezes, layoffs and furloughs. We can't sit back and let the money problems continue. He stated his ideas are his alone, and the Board will make the decisions. He stated he disagrees with Mr. Johnson and feels that a 10% reduction to some departments won't make a big difference in service delivery. He stated the Planning Board has nothing going on right now; he doesn't want to single out one department, but some departments will have to struggle and get through this. This year and next year will be very difficult. Eventually our rainy day funds will dry up.

Mr. Johnson stated that Proposition 2 ½ has finally caught up with the town. We are not over-spending; budgets have been level-funded for several years. The Town's financial problems are the result of Proposition 2 ½ and we need to stabilize the tax rate and move forward. Residents do not pay a lot in taxes for the amount of services they receive. We need to make sure we don't lose services and give people the option to pay a little more. Mr. Sergi stated the Board needs to go through a public process and at the end come back with a unified decision. We as a municipality are facing our own deficit and he supported an over-ride in the past. We are dealing with an economical meltdown that is unheard of and projected to continue through the end of the year. Mr. Sergi stated he would not be performing his fiduciary responsibility by not looking at the whole picture. He stated he felt an over-ride was premature, and we have to look at how we're delivering services. He stated he remains optimistic we will get through this and arrive at a solution together.

Mr. McNabb stated he was going through an exercise and knew it would cause a stir, but he needed to see the impact. He stated he is not saying he wouldn't give department heads the opportunity to come up with a better solution. He stated this was his first pass-through, and what he did demonstrates the severity of the situation.

Item #2 – Discussion – with Union Representatives: Mr. Johnson thanked the representatives from the various unions for attending the meeting. The one thing the Board can't make a decision on is the union

increases, and he is asking the unions for their support. Mr. Sergi asked what the unions propose to do to assist us with confronting the deficit. He stated the Board asked the schools to hold the line and they are attempting to do so. He stated he heard that unions don't care about employees being laid off, and asked if the unions had any ideas on how we can deal with this issue. The taxpayers want us to do our due diligence. We are currently in a period of deflation.

Sgt. Jim Peters stated he does not have the power to negotiate, but came to listen and bring the information back to his members for discussion. Mr. Sergi stated the non-contractual employees will not be getting wage increases, and if the Board decides not to present an over-ride to the Town, we will be looking at layoffs. He stated he agrees with Mr. Johnson that the Town is well managed, but doesn't feel an over-ride will pass. This is a good opportunity to look at our options, and he thinks the unions can be a part of the solution. The Board would be receptive to any contribution the unions can make. Mr. Johnson asked if any union members receive stipends. Mr. Hanson stated the police unions receive stipends, educational incentive, longevity and specialty pay. Sgt. Peters stated these all get figured into his retirement. Chief Davis stated even if the unions make concessions, he doesn't see how the deficit can be made up without eliminating services.

Pamela Vance from the library union asked if this would just apply to 2010. The Board stated the wage freeze or any other concession the unions can make would only be for 2010. Officer Nick Parker stated the patrolmen's union is coming up on negotiations next year and the members have already agreed to not expect anything; it would be hard to sell a wage freeze this year knowing the members probably won't get a wage increase next year.

Mr. McNabb stated the Board wants the unions to discuss the issue and get back to the board. Mr. Johnson remarked that no one wants to make the first move, and he would like to see some unity. Sgt. Peters commented that the Town has made investments in its officers, and they won't be waiting to get their jobs back if they're laid off. Mr. Sergi stated anything the unions can do to work with the Board would be appreciated. Mr. Johnson stated he wanted the unions to see what the Board is up against. Mr. Sergi commented that the bylaw employees are not protected; he commented that Town Engineer/DPW Director Bob Lee has agreed to forego his raise for FY '10. Ms. Gaspar stated that Town Accountant Theresa Walsh has also agreed to forego her increase.

Ms. Vance asked if the Board is asking the unions for a wage freeze. Mr. Hanson stated step increases were still under discussion. Sgt. Peters stated it would probably be three weeks before he could get back to the Board. Mr. Johnson asked if the unions could provide feedback to the Board by March 16th.

The Board thanked the union representatives for attending the meeting.

Mr. Johnson stated he would like to discuss proposed cuts with the department heads. Ms. Gaspar stated the theme is labor versus capital; the Finance Committee made suggestions, such as cutting the summer playground program, which is not self-supporting. Mr. Hanson reminded the board that a wage freeze for bylaw employees would require a change to the bylaw.

Ms. Gaspar stated she felt she could go back to the Finance Committee with information obtained at tonight's meeting. The Finance Committee can make recommendations to reduce budgets further, and leave it up to the department heads to justify their budgets. Mr. Sergi stated he would like to have a joint meeting with the Finance Committee once they are through with their review.

Ms. Gaspar remarked that there will be cuts; she thought an over-ride would pass, but we must prepare for the worst. Mr. Sergi remarked that we have a low tax rate and we can't let that get out of control. Mr. Johnson stated if the Town wants to step up and support services, we need to give them the opportunity to

vote on an over-ride. Ms. Gaspar stated Proposition 2 ½ does not support increases. The economy does play a big part in this.

Ms. Walsh asked about the survey that was discussed at the meeting on the 14th. Ms. Gaspar stated people on the Finance Committee gave feedback, and one member began working on the survey. Mr. Hanson remarked that multiple people are putting surveys together. Ms. Walsh stated one of the Finance Committee members did a template and the webmaster put it together. Between those two and the Selectmen's office we should be able to get something out. Ms. Gaspar remarked that time is of the essence. Ms. Walsh stated the school must certify their budget by March 9th.

The Board discussed a date for a joint meeting with the Finance Committee and department heads and agreed to March 23rd. Mr. Hanson will reserve the Senior Center for the meeting.

Ms. Walsh stated the Finance Committee is meeting tomorrow night and will go over the Board's suggestions and asked if the Board will have another public forum. Ms. Gaspar stated she thought that would be helpful. Mr. Hanson suggested the public forum be held the week before Town Meeting. The Board agreed on April 25th.

OLD/NEW BUSINESS:

Item #1 – Any other old/new business: Mr. Sergi asked if the Board was prepared to address the Town Administrator Search Committee. Mr. Johnson stated this item will be deferred to the next meeting.

ADJOURNMENT: On a motion by Mr. Sergi and seconded by Mr. McNabb, it was unanimously voted to adjourn the meeting at 9:15 PM.

NEXT MEETING: February 23, 2009, 7:00 PM.

Respectfully submitted,

Peggy Mazzola, Administrative Assistant

APPROVED:

Lyndon B. Johnson, Chairman

Joseph A. Sergi, Clerk

Patrick J. McNabb