

TOWN OF HARVARD
FINANCE COMMITTEE
Minutes

Meeting Date: October 21, 2009

Meeting Place: Town Hall

Members Present: Steve Colwell, Marie Crowley Sobalvarro, Marie Fagan, John Sullivan, Bob Thurston, George McKenna, Collyn Bradley

Others Present: Lorraine Leonard, Finance Director; Tim Bragan, Town Administrator.

Meeting Time: 7:00 pm

Adjournment Time: 8:22 pm

Discussions and Actions

- Fin Comm Chair opened meeting 7:05 pm; sought public comments (none offered).
- Approved minutes of Sept 16, 2009 and October 7, 2009.
- 2010 budget status and possible 9c cuts
 - Tim reported on the state budget – He indicated that there will be mid-year budget cuts. He provided the committee with the following information:
 - Gov. Deval Patrick announced today that his plan to balance the state budget will include a request for expanded emergency budget-cutting authority, a signal that mid-year local aid cuts will be part of the mix.

State tax collections for the first quarter of fiscal 2010 fell \$212 million short of the benchmark, and the administration is now projecting a revenue shortfall of \$600 million for the year.

“That means we have to act immediately to bring state spending in line,” Patrick said at a press conference this afternoon. “Painful as it is, we have to adjust.”

Under state law, the governor faced a deadline of today to announce a revised state revenue estimate for the current fiscal year. He has another 15 days to announce a specific plan to re-balance the budget.

The governor said he would use his emergency budget-cutting authority, under Section 9C, to reduce executive branch agency spending, resulting in the elimination of up to 2,000 state jobs. He said he will also consolidate state agencies and pursue collaboration on energy purchases.

The governor cannot reduce the general municipal aid account (what used to be Lottery aid and Additional Assistance) or Chapter 70 education aid unless the Legislature grants him expanded powers under Section 9C, as was done last year. The Legislature is likely to grant the authority, however, as such a request has never been denied.

The administration already has the ability to reduce many other local aid programs, including reimbursement accounts and grants.

On Oct. 2, when he first announced that revenues were falling well short of benchmarks, the governor said, “Local aid is on the table because it is unavoidable.”

The MMA is urging the governor and Legislature to protect municipal aid. Cities and towns have been severely harmed by the deep local aid cuts implemented since the beginning of the fiscal crisis. The fiscal 2010 state budget slashed total local aid by \$700 million below the original fiscal 2009 budget, the largest local aid cut in history. Communities in every corner of Massachusetts have implemented layoffs and deep service cuts and are adopting local-option tax increases.

The MMA is also calling on the Legislature and governor to enact five key municipal reforms:

- Give cities and towns the authority to update municipal health insurance plans outside of collective bargaining, as state government does.
- Close the telecommunications property tax loophole for equipment, which would generate \$25 million per year locally.
- Pass legislation to clarify that cities and towns are not responsible for the state's share of the Police Career Incentive Program (Quinn Bill).
- Change the charter school funding rules so that charters don't disproportionately drain resources away from regular schools.
- Pass legislation allowing cities and towns to extend their pension funding schedules by 10 years, to 2040.

Budget imbalances have plagued the state for about 15 months now. Thus far, a combination of tax increases, spending cuts, state stabilization funds and federal economic stimulus funds have failed to close the elusive budget gap.

Re-balancing the state budget will be the first order of business for the state's new administration and finance secretary, Jay Gonzalez, who took over this week for Leslie Kirwan, who accepted a position at Harvard University.

In another ominous development, the Massachusetts Taxpayers Foundation is reporting that the state's Medicaid account may be underfunded by as much as \$300 million, which would worsen the budget gap.

- Lorraine reported 9c cuts will happen November 29th. This came from the LT governor she met with. There will be chapter 70 fund cuts which will be backfilled with other funding sources. Cuts could be up to \$160K. **The** Lt Governor said there will probably be ARRA funds available this year and maybe a smaller amount in FY 11. Lorraine provided the committee with the following information
 - Reserve is 175K + 61K= \$236,000
 - Still waiting on \$402K from FEMA – Town meeting could vote it to be used for a different use.
 - No estimate for free cash yet – free cash could be voted at town meeting to be used for a different use
 - \$411K in our reserve – could be used to cover any cuts
- Lorraine reviewed FY11 recap with the Committee
 - Reviewed revenue and expenses
 - Assumed level funded budgets
 - Noted that health insurance should be budgeted up 5%
 - Question was asked what Stabilization fund total balance is. Lorraine will report back on this.
- Discussion around what advice to give to departments when they are putting their budgets together
 - Consensus to give them an absolute number versus a %
 - What guidance should we give them
 - Need to figure out how much insurance each department takes advantage of

- Discussion around format of budget – we will go back and give departments their two previous budgets
- George wants to ask how departments performed – Have them tell us what they have done over the last 2 years – what impact did the cuts have – do they expect to cut any core services with a smaller budget this year and next.
- Marie F. wanted to ask each department for 2 budgets, one with level funding and then a worst case budget
- We need to tell them that we don't have more dollars to spend even though we appear to have a high free cash balance.
- John asked is there the ability to cut the budget equal to the 2.5% tax increase. Should we ask for budgets that assume there is zero increase?
- Survey –
 - Discussion on how to boil down results – each committee person will be assigned a department and then each person will summarize for that dept.
 - Collyn is going to combine 21 files into a single pdf.
 - Assignments:
 - George - DPW
 - Bob - Park and Rec.
 - Steve - Schools
 - Marie F - COA
 - Marie S – Public Safety
 - Lori - none
 - John - Library
 - Collyn – General Govt.
- When doing summary need to have critical eye to the quality of the data.
- George volunteered for personnel board – meet early mornings, meeting next Thursday 10/29.
- No liaison reports.
- Next Finance Committee meeting Nov 4th, 7:00 pm, Town Hall.
- Future meetings will be the first and third Wednesdays every month, 7:00 pm, at Town Hall.
- Move to adjourn at 8: 22PM.