

**BOARD OF SELECTMEN/FINANCE COMMITTEE
JOINT BUDGET MEETING
8:00 AM**

April 11, 2009

Page 1 of 8

PRESENT: Selectmen Lyndon B. Johnson, Joseph A. Sergi and Patrick J. McNabb; Robert Hanson, Town Administrator; Peggy Mazzola, Administrative Assistant; Town Accountant Theresa Walsh; Finance Committee members; various Town department heads and employees

The meeting was called to order at 8:00 AM. Mr. Johnson stated he would like to start the meeting by getting updated numbers from the Finance Committee.

Finance Committee Chairman Diane Gaspar gave an overview of events leading up to the discovery of the calculation error resulting in an additional shortfall of around \$600,000. Mr. Hanson stated the FinCom had to make hard decisions on Thursday night regarding the Senior Center and Library budgets subject to an override. It is not feasible to revisit the budgets; the FinCom felt that going back to the budgets would cripple departments. The bylaw employees are not receiving step increases or COLA increases and many have had their hours reduced. Most departments will not have level services going forward. There is no other viable option, and the feeling is that the biggest blocks of support will be to the Council on Aging and Library. The FinCom voted to recommend an override. We have been drawing down our reserves at an exponential rate. Proposition 2 ½ has finally caught up with us, and the time has come for an override. This is an opportunity for us as a town to take corrective action. Mr. Hanson stated he doesn't think an override will pass for any other departments, and it is unfortunate it happened as it did. If we have an override, the library will be given full funding.

Mr. Sergi remarked he hasn't advocated an override, but feels that it is needed now. Ms. Cronin stated it's not a question of timing; the FinCom looked at other ideas but many would decimate town government. We have to increase our revenues, and we need to make it clear that if the override doesn't pass there will be no funding for the Senior Center or library.

COA Director Sharon Mercurio stated she wasn't notified of this decision, and had no knowledge of it until Library Director Deb Spratt told her about the FinCom's decision. Because of someone's error, this is a quick fix, using the seniors as pawns. The seniors are financially strapped, and to use them doesn't seem fair. The Senior Center provides so much more to the community than fun and games, and has one of the smallest budgets in the Town. Ms. Mercurio feels there are other departments that can cut.

Mr. Johnson stated this did come to light at the last minute, and the recommendations are not etched in stone. We only have until the 17th to finalize the Town Meeting warrant, and only one week to make decisions on this shortfall.

Mr. Sergi apologized to Ms. Mercurio that she wasn't notified of what was going to happen on Thursday night, and we need to make sure we do a better job getting the word out.

Ms. Cronin stated the FinCom does not consider this a game, and needs to weight what's right for the Town; the Town needs more revenue. The voters have to decide what kind of community we want to live in. Ms. Gaspar noted that many of the town's fixed expenses have been rising more than 2 1/2 % each year; if people don't like the law, they need to go to Beacon Hill, because it just doesn't work anymore. The town had very healthy savings until the past few years. Mr. Sergi commented when we're in a recession, government needs to hold the line and that's what we're doing; we believe we're being efficient. Ms. Gaspar stated we know that Pepperell is an extremely frugal town and provides a wonderful quality of life for not a lot of money. Mr. Sergi remarked that to compare our tax rate to other towns is difficult and doesn't tell the whole story; it is clear we need an override. FinCom member Burke Bero stated that even if we knew about the additional shortfall several months ago the FinCom

would have come to the same conclusion; Mr. Bero has advocated an override since the start of the budget process, and next year will be even worse. FinCom member George Zacharakis commented it doesn't need to be "us versus them." Ms. Spratt stated she feels the library is being penalized. Mr. Johnson stated that we're here to discuss options.

Mr. Johnson opened the floor to comments. Phil Durno stated the Town has had its ups and downs over the years, and feels the FinCom and Selectmen are trying to destroy our town. He stated the library is more important than Town Hall, and when people are out of work they go to the library. People don't realize the community we have at the senior center and how important it is. The Community Center is important as well. Everyone knows we have financial problems, but he doesn't feel we should cut the library and senior center; cuts should be made everywhere. He feels the FinCom and Board of Selectmen are using the Senior Center and library as leverage for the override.

Mr. McNabb stated this board is not trying to destroy the community. This new information came out on Monday night after months of working on the budgets, and took the wind out of our sails. We will look at all options. Mr. McNabb has not come to a decision, and the Board needs to decide the best approach.

Mr. Johnson stated we are short on time; he'd like to take a few more comments if someone has anything new to add, but we need time to discuss this with department heads and the FinCom.

Mike Green asked what the total budget was for FY '09 and what the proposed budget is for FY 10. Ms. Gaspar provided the numbers, noting that enterprise funds are paid by the ratepayers. Mr. Johnson stated that cuts were made across the board, including salaries and wages, supplies and services. Mr. McNabb noted this was after serious drawdown of our reserves.

Ann O'Donnell asked how many override questions we would have to vote on. Mr. Hanson recommended there be one override with multiple options. Mr. Johnson stated that is what we are here to decide. Ms. Gaspar stated it has been proposed to have one question for restoration of the Senior Center, one for the Library, one to restore a police officer, and one to restore highway personnel. Mr. Johnson stated this has not yet been determined. Mr. Hanson stated the override has to be for a specific use.

Merle Green, COA Chairman, stated he heard Ms. Gaspar say that 2 ½ doesn't work; taxpayers voted on Proposition 2 ½ as a way to control Town government. 2 ½ does work because it controls town spending and forces the town to spend within its means. Mr. Green agrees with Mr. Johnson that it is time to look at an override; it is unfortunate because we control our finances and balance our budget every year. However he doesn't like the idea of putting the override on the library and senior center.

Sharon Santy commented that the revelation of the additional \$600,000 shortfall and how that got by us is baffling; it's a basic calculation. Ms. Santy asked why the school department isn't present at this meeting, noting that since Dr. Marshall took over our school department is going down the john. Spending is out of control; other school departments are making concessions to control spending. This debt is primarily linked to the schools, and they should figure out a way to cut \$600,000 from their budget.

Judy Dalton stated we are in a bind; in the past we have balanced the budget at the fall town meeting, and asked why this can't be done to allow more time to figure out what to do. Mr. Hanson stated if we can't set the tax rate, the Town won't get any income; if we wait until the fall to balance the budget, then have the override ballot, we won't be able to set the tax rate until January.

FinCom member Chris DeSimone stated in the past we did occasionally balance the budget in the fall, when we had plenty of free cash. Now there's no way to do that. Mr. DeSimone stated he voted against this proposal because he doesn't believe an override will pass. The remainder of the FinCom voted for the override because they sincerely believe it's the best option.

Ms. Dalton asked if the Board had considered a debt exclusion instead of an override. Mr. Sergi stated we can't fund operating budgets with a debt exclusion.

Pen Burnham stated there was no notification of the \$600,000 shortfall; and when that happens the taxpayer is out to hang everyone. He doesn't think the FinCom's recommendation is the way to do it; we have to make some cuts, and have to be careful about singling out certain departments. Mr. Johnson stated the Board was not made aware of the additional shortfall until late Monday night; it took two days to confirm this number. Webmaster Jeff Sauer stated information was on the Town's website early Friday morning. Mr. McNabb stated he felt the same urgency to get this information out to the public; on Wednesday when no release had come from the office, he wrote a release and ran it by the other two members of the board; it still took another day before the information appeared on the website. This board has to do a better job. Mr. Sergi remarked he was equally frustrated with the delay. Mr. Johnson felt it was not necessary to debate this topic.

Mr. Burnham stated if the override passes this year, the senior center and library will be protected, and asked if those two departments would also be protected from cuts next year. Mr. Johnson stated this may not necessarily happen; next year is a new year and new budget cycle. Mr. Sergi stated if the override passes we can add 2 ½% to the amount of the override next year; he noted that the \$600,000 override is in addition to the use of \$700,000 in reserves that won't be there next year. Mr. Sergi remarked that the lack of communication puts people on the defensive, and felt it took too long to get information out. Mr. Sergi stated we would only want so many items on the override, and feels the approach the FinCom is taking is generally sound.

Ms. Gaspar stated if the override fails the library doors will close on July 1st. The Town will have no library to go to, here or elsewhere. Mr. Sergi asked if we could present another referendum if the override fails. Mr. Hanson stated the Board can present as many referenda as it wants. Ms. Cronin remarked that if the override passes, the library will be level funded and won't lose accreditation.

Charlotte Bennett stated she agrees with Ms. Mercurio, and the senior center is very important. She stated there is too much money going into the schools. Mr. Johnson stated discussion regarding the school budgets will not help us with what we need to discuss.

Mr. Johnson stated we need to start discussion on the override and would like department heads to be in the room; we have one proposal before us. Mr. Sergi stated he would like a refresh on the process from Mr. Hanson.

Mr. Hanson stated the Board of Selectmen is the only entity that can call for an override vote. The Board determines the content. The warrant for Town Meeting must be posted by Friday; we could post the warrant with all budgets level funded, convene a quorum at the Town Meeting and adjourn to a later date. Mr. McNabb asked if further cuts are off the table, such as longevity and educational incentives. Mr. Sergi stated educational incentives are part of collective bargaining; \$59,000 in longevity payments are also in union contracts. Mr. Sergi suggested if we're going to cut, then layoffs in the unions should be considered. Only the library union has made concessions. Additional personnel cuts could be entertained, but he does not support additional cuts to bylaw employees. Mr. Bero stated we used \$700,000 in available funds; if the FinCom thought more cuts could be made, it would have been done.

Ms. Spratt stated the FinCom's proposal is tying the override to "non-essential" departments, and wondered if the override would have a better chance of passing if it were tied to "essential" departments. Mr. Hanson stated he does not recommend funding the police or fire departments below their ability to function. Mr. McNabb commented it is unfortunate that the unions would not be a part of the solution. Ms. Mercurio asked why administrators weren't taking cuts. Mr. Hanson stated the bylaw employees are not receiving raises, step increases or COLA increases and the three contract employees have agreed to concessions. Mr. Zacharakis asked what the savings would be if the police and DPW unions agreed to concessions. Mr. Hanson stated the savings would be roughly \$50,000. Highway Superintendent Peter Shattuck remarked he is losing staff to the tune of \$90,000.

Mr. Johnson asked for clarification from Mr. Hanson regarding procedure. Mr. Hanson further detailed a scenario whereby Town Meeting is adjourned to a date specific. Mr. DeSimone asked what this would accomplish. Mr. Hanson stated it would give us more time; if the budgets are not approved before the end of the fiscal year we would have a 1/12 budget situation. Ms. Santy stated it is time to go back to the school district for more cuts. Ms. Gaspar stated the school department has no motivation to further cut their budget. Mr. Shattuck asked what the scenario described by Mr. Hanson would cost the Town. Mr. Hanson stated there would be no charge for the school as the meeting could be convened on the steps of the school; procedurally it would work, but functionally it has problems.

Mr. Johnson suggested a step option for the override, with a minimum of \$500,000. Mr. Bero asked what the maximum would be. Mr. Johnson stated the maximum could be \$1.4 million, but he doesn't think it will pass. Mr. Bero stated we would have a better chance of passing an override if we did half this year and half next year. Mr. DeSimone suggested attaching part of the override to the schools. Mr. Hanson stated if an override on the school budget fails we still have to pay.

Mr. Johnson asked if the Board was in agreement with a minimum \$600,000 override. Mr. McNabb stated he did not think a \$1.4 million override would pass, and thinks we should keep it simple and straightforward because the more we throw out to the voters the more we will have to explain. Mr. Sergi stated the only problem with staying at \$600,000 is we still have made \$400,000 in cuts. Mr. McNabb felt we should cut first before we go back to the voters for more money; next year will be another battle. Mr. Johnson stated he would like the board to consider keeping people who are losing their jobs. Mr. McNabb stated that some are not stepping forward to help with the solution; personnel cuts are not personal and not easy. It's tough to swallow that some departments aren't doing something to help. Mr. Shattuck stated that he has 80 miles of road to maintain, and cuts to his department will result in longer plow routes and more overtime; he requested that the Board consider restoring some of his budget. Mr. Sergi stated he did not feel we were at a point to talk about departments; we need to decide how much we will ask for in an override and he would like to include the Community Center in the override. Ms. Gaspar stated her initial position was a menu approach, and feels strongly that if there is too much on the override it will fail. Mr. Bero stated he would like to see the library, senior center and community center on the override. Ms. Cronin agreed, stating we should keep it as simple as possible. Mr. Zacharakis stated that 0 funding for these departments is compelling; he doesn't think union positions should be on the override because they refused to make concessions. Ms. Gaspar suggested that the library, senior center and reinstatement of bylaw salaries be included in the override. Mr. DeSimone stated he would like to just have the library and senior center because the more we have the less likelihood that it will pass. Ms. Gaspar stated that an override for the library and senior center would total \$575,000 plus \$25,000 from the retirement fund. Ms. Mercurio asked if her budget would

be completely restored. Ms. Gaspar stated that is up to the Selectmen to decide. Mr. Sergi stated he would want to fully fund the departments tied to the override.

Mr. DeSimone asked if it is possible to put a maximum amount on the override question, stating he is concerned that someone at Town Meeting will move a larger number and fund with free cash. Mr. Hanson suggested the article could read "to see which accounts to fund with an override."

Mr. Bero stated that people he spoke with were stunned with our predictions, yet we've been talking about this for months, and we need to saturate the media with this information.

Mr. Sergi commented the consensus seems to be to go for a lower amount. Mr. Johnson stated if we don't get the override this year and need to go for a larger override next year, we may be better off asking for a larger amount, closer to \$1 million that will set us up for the next few years. Mr. Sergi stated he wants this to be set up to succeed, noting we have already cut \$380,000 from budgets this year. Mr. Bero remarked we have been gradually reducing budgets over the last several years. Ms. Gaspar stated at the public meeting on April 25th she can explain the cuts that were made to all the budgets.

Mr. Sergi asked if there was any information on overrides passing in other cities and towns. Mr. Hanson stated he is not aware of any overrides for \$1 million passing in other cities and towns. Both the FinCom members and Board of Selectmen agreed it would be best to keep it simple.

Mr. Hanson remarked that both police contracts come up for negotiation next year. Ms. Gaspar stated as far as the school budget is concerned, the school committee members are elected officials, and townspeople need to talk to them.

Mr. Johnson stated there seems to be a general agreement on an override not to exceed \$700,000; now we need to decide how to arrive at this number. Mr. Hanson discussed various scenarios, noting that if this is not orchestrated in advance we will have a nightmare at Town Meeting. Mr. Hanson suggested that no more than five items be tied to the override vote. If the library and senior center budgets are taken off the table for override, he doesn't know where else we would find \$600,000. Ms. Santy suggested the override include the senior center, library and community center, noting that the community center could increase revenues by increasing their rental fees while still allowing non-profit organizations to use the center at no cost.

Fire Chief Toby Tyler asked if there would be separate override questions for each budget, or if they would be lumped together in one question. Mr. Hanson remarked if they are lumped together then the town needs to decide if they want all or nothing. Mr. Bero remarked there is a strategy involved in the override vote.

Mr. DeSimone felt that if just two budgets were tied to a \$1 million override there would be a better chance of that passing than five items at \$500,000. Ms. Cronin remarked that the community center budget is very small at \$15,000, generates revenue and is frequently used.

Ms. Gaspar remarked that she is not hearing other suggestions regarding departments tied to the override vote. Ms. Spratt suggested the override be attached to the police department budget. Mr. Hanson stated if the override fails you've impinged on public safety. Mr. DeSimone remarked we should think about putting money in the budget in case the override fails in order to close the buildings and pay unemployment costs.

Mr. Johnson asked what other departments could carry the \$600,000 override. Mr. Sergi stated there's more support for the library and senior center. Mr. Johnson agreed. Ms. Mercurio stated she doesn't like the fact that the seniors are being used as pawns, though she does see the logic.

Dana Hanson remarked that he's heard it said that people don't know what the police department and highway department do, and asked if Chief Davis and Mr. Shattuck could enlighten us as to the services we will no longer have as a result of the budget cuts.

Chief Davis stated that 10% of the patrol force has been cut, which results in putting less police officers on the streets. Calls will go unanswered, and we won't call other towns for non-priority calls. If his budget is cut another 10%, he will have issues with contractual obligations that require 2 officers on all shifts. The injury potential for officers and residents will increase.

Mr. Shattuck stated he has had 10 hours per week cut from highway personnel, and 2 1/3 at the transfer station. Another highway employee will be let go on June 30th as well as an employee at the transfer station. Other towns hire outside contractors for road rebuilding at a huge cost, where we do this ourselves, at significant savings to the town. All projects are off the plate for this year, roadside mowing will be reduced, tree cutting won't be done – we'll wait until they fall down and then we'll pick them up. Line painting won't get done at all next year, and he has had to scale back line painting this year.

Chief Davis noted that the federal government says we should have 1.8 officers per 1,000 residents which equates to 22 officers; with the cuts, we will be down to 16.

Chief Tyler remarked that the police department aids the ambulance department quite often.

Ms. Spratt asked if there was any way the override could henceforth be attached to their budgets so the shortfall doesn't fall on them every year. Mr. Hanson stated there is no legal structure to do this; there could be a written understanding that the town assumes an obligation to do all in its power to make sure the departments included in the override are funded, however in an emergency this would be off the table. There could only be an agreement to try, but nothing binding. Ms. Spratt commented she was hoping she could have found something in writing that stated the library could not be closed because it was a gift to the town.

Mr. Johnson asked how we should proceed from here. Mr. Hanson stated the library and senior center are the only viable options, as well as the community center because it was the only other zeroed-out budget. Ms. Santy stated these three departments have the best chance to pass. Mr. Hanson stated he needs an outline so the warrant can be posted. Mr. McNabb stated he hates to make this decision, but there does not seem to be any other option. Mr. Sergi agreed that these three departments should be on the override. Mr. Johnson asked if street lights should be included. Mr. Hanson suggested the board come up with a list of other items, such as the street lights, Chief Tyler and Al Deshler's salaries, and Memorial Day. Mr. McNabb commented that the Veterans' Agent's salary had been cut by \$750; this is not a lot of money and he feels this should be reinstated into the budget. Mr. Hanson asked if the Board would also want to reinstate stipends for the Board of Fire Engineers. Mr. Sergi asked what that amount would be. Ms. Walsh stated the total would be \$6,900 for all the Fire Department stipends, and \$400 just for the Fire Engineers. Mr. Shattuck asked how the Board could give some of the stipends back and not others; he would rather see all or nothing.

Mr. Sergi asked what the total amount of the override would be with the Council on Aging, Library and Community Center. Ms. Walsh stated the total for those three budgets would be \$646,797.

Ms. Cronin stated she could not support reinstating the Veterans' Agent's stipend and not others. Mr. Sergi stated he would support this, as a veteran, and knows what a hard job the Veterans' Agent has. Mr. Johnson stated he would have a hard time supporting one stipend over another. Mr. Sergi agreed. Mr. McNabb stated he stands by his position, and feels this is too important a position to cut. Mr. McNabb would also like to entertain reinstating the GIS budget. Mr. Hanson stated \$3,500 will cover the maintenance contract so we can use the software we have; it will cost more to restart than to maintain. Mr. McNabb suggested the entire GIS budget be put on the Enterprise Funds. Mr. Hanson stated if we do away with the GIS budget and then restart a year or two down the road, we will have to pay the maintenance fees for the back years. He can't speak for the Enterprise Funds, but believes they've kicked in as much as they want to. The Enterprise Funds are paying the costs to add to or improve the GIS system. Mr. Johnson commented we need more information to make a decision.

Mr. Johnson stated that it appears the board is in agreement on the override being attached to the Council on Aging, Library and Community Center, as well as Memorial Day, street lights and reinstating salaries and wages in the Fire Department for Chief Tyler and Mr. Deshler.

Ms. Spratt asked if the override would be a lump sum for all the items. Mr. Hanson stated this information will be on the referendum. Mr. Johnson remarked that there is time to discuss this. Mr. Hanson stated we would be running the risk of people supporting one over another and everything being voted down. Mr. Johnson stated he believes we achieved what we wanted to, and thanked everyone for coming. Mr. Johnson announced the next budget discussion will be on Saturday, April 25th at 10 AM at the Senior Center. The next Board of Selectmen's meeting will be Monday, April 13th at 7 PM.

Ms. Santy asked if the Board was going to vote on the override amount. Mr. Johnson responded there is a consensus, and it's not necessary for the Board to take a formal vote.

Mr. Hanson will work with the Assessors' office to get a number on the cost of the override.

Mr. McNabb distributed to the Board a draft job announcement for the Town Administrator position.

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Page 8 of 8

ADJOURNMENT: The meeting adjourned at 11:30 AM.

Respectfully submitted,

Peggy Mazzola, Administrative Assistant

APPROVED: BOARD OF SELECTMEN:

APPROVED: FINANCE COMMITTEE:

Lyndon B. Johnson, Chairman

Diane Gaspar, Chairman

Joseph A. Sergi, Clerk

Burke Bero

Patrick J. McNabb

Stephanie Cronin

Chris DeSimone

Chris Johnson

Jeanne LeBlanc

George Zacharakis