

Town of Longmeadow
Minutes of the Finance Committee
February 10, 2021 - Teleconference

Finance Committee Members present: Andrew Lam-Chair, Maury Garrett, Jr.-Vice Chair, Eileen Morin-Clerk, William Welch, Donald E. Griffith, Tom Dignazio and Armand Wray

Visitors: Paul Pasterczyk-Finance Director, Jason DuCharme-Town Accountant, Peter Landon-Audit Committee Chair and Michael DiYesu-Resident

The meeting was called to order at 7:00 pm.

A motion was made and seconded to accept the minutes of January 13, 2021 as presented, 6-0-1 in favor. (Tom Dignazio abstained).

There were no visitor comments.

Discussion:

Paul Pasterczyk explained that a possible reserve fund request maybe needed to cover the additional hiring of a new Finance Director for training purposes for the last few months of FY21. The hiring process for the position will begin shortly. The current Finance Director will be retiring on June 27th. Andrew Lam thanked Mr. Pasterczyk for his years of service to the Town.

FY22 Budget Updates:

- The School Committee has proposed a preliminary budget with a 2.35% increase in General Fund appropriations compared to the FY21 budget. It includes a significant increase in special education expenditures over last year. Another significant difference between the two years is one-time governmental COVID-related funds in the FY21 budget which are not in the proposed FY22 budget. Mr. Pasterczyk said that the FY22 budget is based on a normal year's expenditures excluding COVID-type expenses so there is the potential for additional expenditures later in the year, depending on the whether the pandemic continues to affect services.
- A full budget will be presented to the Select Board on 3/1/21. The Finance Committee had recommended an overall tax increase of no greater than 1.75% in the total town budget to help prevent the tax levy from reaching a \$25.00 limit within the next ten years. Mr. Pasterczyk mentioned that normal annual state funding of 4% to 5% will probably be lower in FY22.
- There will be a joint meeting with the Finance Committee and Select Board, as well as a public forum, after the Town Manager's budget presentation to the Select Board.
- Paul Pasterczyk mentioned the possibility of the dates for the Annual Town Meeting being changed to either May 16th or June 6th.
- The proposed FY22 Budget should not require the use of reserves to achieve a balanced budget.
- COVID grants are included as part of the School Department's special revenue budget for FY22.

Other:

The Committee discussed a letter that Andrew Lam drafted on behalf of the Committee, addressed to the Select Board and School Committee, to highlight the importance of this summer's upcoming employee contract negotiations that are renewed only once every three years. The main object of the letter is to make these bodies aware that these contracts, and particularly the extent of any COLA increases, will be an important factor in the trajectory of Longmeadow's future budgets and tax increases. The committee discussed the letter and its contents. William Welch expressed opposition to a message that would imply that employee raises should be constrained. Additional members expressed support of the letter and its contents. The committee voted 5-2 in favor of sending it to the Select Board and School Committee. William

Welch and Armand Wray voted negatively. Mr. Welch requested that his name not be included in the signature section of the letter.

The Committee postponed scheduling its March meeting until Paul Pasterczyk could determine his availability to be included in the meeting, with possible dates mentioned of 3/9/21 and 3/10/21.

The Committee will meet in a joint session with the Select Board at 7:00 pm on 3/10/21.

The Committee voted to adjourn at 8:32 pm (7-0 in favor).

Respectfully submitted,

Eileen Morin, Clerk

Attachment: Letter to Select Board and School Committee dated 2/10/21

February 10, 2021,

Dear Members of the Longmeadow Select Board and School Committee,

We continue to appreciate your leadership as we collectively guide Longmeadow through the fiscal challenges posed by both the limitations of the Commonwealth's \$25/\$1000 mil rate tax ceiling and the ongoing Covid pandemic. We particularly thank you for your strenuous efforts to limit tax rate growth in the upcoming FY2022 budget to no more than 1.75%, which we feel will postpone a rendezvous with the tax ceiling for at least ten years based on current projections.

The subject of this letter is not the FY2022 budget. Instead, we would like to share with you what we consider to be the most important, non-budgetary matter we will confront in 2021. This is the upcoming fire department and school department employee contract negotiations that will take place this summer.

These contract negotiations occur only once every three years, but their impact is felt each and every year as the single most important factor contributing to Longmeadow's annual budget increases. Out of our roughly \$70 million budget, \$40 million reflects employee salaries. To a large degree, this year's contracts will dictate how much our expenses will rise in the next three years. The faster we rise, the sooner we will breach the tax ceiling, at which time employee layoffs and reduced services will be unavoidable. The goal of our efforts is to maintain the status quo, with relatively level services and limited layoffs or gradual attrition, for as long as possible.

We know that contract negotiations are complex, but the primary metric that will determine our fate will be the contractual Cost of Living Adjustment (COLA). By definition, this annual employee raise is meant to account for inflation. The fact that inflation has been extremely low for the last decade should provide some justification for COLA to be restrained. In addition, a high unemployment rate, currently approaching 7%, generally favors Longmeadow's position as an employer. But more than anything else, the primary rationale for limitation of COLA is the fact that the looming tax ceiling now aligns the interests of both the town and its employees. It is in the interest of both parties to stay below the tax ceiling, for once it is reached the town will be forced to lay off dozens of

employees. There is no legislative change on the horizon that will exempt Longmeadow from this reality.

The importance of this year's collective bargaining agreements has greater implications when one considers the influence it is sure to have on subsequent employee contracts coming up for renewal in 2022. It is only natural that the terms of next year's contracts (clerical, DPW, Police departments) will mirror this year's contracts (fire department and school employees). And the compounding nature of employee raises going forward makes near-term COLA restraint the most powerful instrument we have to maintain a flatter trajectory of tax rate growth.

As a point of reference, three years ago the school department contract dictated COLA increases of 2%, 1.5%, and 1.5%, for each of the three successive years it was in effect. We do not wish to hamstring the Town Manager, School Committee or school superintendent with suggested figures for this year's negotiations. Our only purpose is to highlight this as a very important factor that will have significant impact on Longmeadow's ability to maintain its fiscal targets over the next three years. A 0.5% change in COLA (up or down) represents approximately \$200,000 in the town budget; a 1.0% change translates to \$400,000. Savings derived from curbing the rise of COLA would do a great deal toward counteracting the obligatory and inexorable increases in health care and pension costs we face each year.

As part of our effort to maintain level service in Longmeadow for as long as possible, a corollary recommendation must be that all departments should limit or eliminate new spending for new programs, projects or services. If a new service is requested, it should undergo strenuous scrutiny. If it is deemed worthy, other programs or expenditures should be reduced or eliminated to fund it. We must make difficult decisions now, to postpone far more difficult ones in the future.

Thank you for considering these recommendations. Please do not hesitate to ask us for any further assistance or research you think will aid your efforts and benefit the town.

Sincerely,

Longmeadow Finance Committee

Andrew Lam – Chairman
Maury Garrett – Vice-Chairman
Eileen Morin –Secretary
Tom Dignazio
Donald Griffith
Armand Wray

Cc: Town Manager, School District Superintendent, School District Finance Director