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February 18, 2009

REPORT OF THE COMMITTEE ON FINANCE

The Committee on Finance convened on February 18, 2009, with Chairman Maryann Heuston presiding and Committee Members Aldermen Bruce Desmond, John Connolly, Walter Pero and William White also present and voting. Also present were Aldermen Rebekah Gewirtz, Sean O'Donovan and William Roche, Mayor Joseph Curtatone, Administrative Assistant Jessie Baker, School Committeeman Mark Niedergang, Personnel Director Richard Tranfaglia, Assistant City Solicitors Robert Collins and David Shapiro, City Treasurer Elizabeth Carrivateau, Finance Director Edward Bean, Bob Martell and Matt Dias.

186851 – Waste Management agreement

The committee discussed an amendment to the Transfer Station Agreement with Waste Management. Mayor Curtatone stated that, after a series of neighborhood meetings with company officials, an agreement was reached. Under the new terms, Waste Management will develop a traffic plan for Brickbottom, monitor noise, and contribute \$5,000, with the first payment going to Brickbottom. The new contract is designed to address quality of life issues at Brickbottom.

Fiscal outlook

The committee received an overview of the city's fiscal picture. The city has three main sources of income: taxes (54.9% of base), state aid (32.6% of base) and local receipts (12% of base). Since property taxes cannot exceed the Proposition 2 ½ cap, the city is constrained in its ability to raise additional revenue. Somerville's 9-C cuts under the Romney Administration amounted to \$10,447,913. This year's state budget deficit is \$2.4 billion and Governor Patrick has announced local aid cuts totaling \$128 million, of which \$2,935,217 will be cut from Somerville's FY-09 allotment. For FY-10, Somerville will receive \$8,494,326 less in state aid. To offset these cuts, the state is proposing a 1% increase in the state meals tax and a 1% increase in the state hotel/motel room occupancy tax, with the generated funds being allocated to cities and towns. For Somerville, this means an addition \$3,422,456 in revenue. Somerville will also see a loss of \$17,097 in state library aid and a loss of \$86,514 in police career incentives (Quinn Bill).

Through January 31, 2009, the city's collected revenues have exceeded the budget by 2% but appropriations have gone below the budget by -2%. As a result, Somerville has until June 30, 2009 to make up a \$2.9 million shortfall. The Administration has continued its efforts to prepare for and mitigate the effects of the economic downturn by taking steps such as requiring all non-union employees to pay an additional 5% of health care premiums and placing restrictions on overtime, hiring and departmental purchases.

Somerville faces a budgetary shortfall of at least \$8.6 million in FY-10, (\$3.2 million in revenue and an increase of \$5.4 million in fixed costs). Mayor Curtatone said that his Administration would use a balanced approach to prioritize and preserve key functions of government. A Financial Advisory Committee has been established to assist the city with its financial matters and the Insurance Advisory Commission has been reconvened.

Specific action to mitigate the FY-10 budget concerns include:

- Evaluating all revenue sources
- Exploring new revenue options
- Taking aggressive action on delinquent payments
- Union and non-union wage freezes
- Furloughs
- Attrition
- Health insurance evaluation

Mayor Curtatone said that facing the economic challenges being presented won't be easy and noted that layoffs and budget cuts aren't the sole answer. The city will be able to absorb the FY-09 funding cuts but dealing with the FY-10 budget will be more painful. Mr. Bean told the members that the Board of Aldermen will be presented with budget revisions by the end of March.

The committee discussed items before it and took action on the following item:

186851: Communication from Mayor - Requesting approval of an amendment to the Transfer Station Agreement with Waste Management of MA, to modify the option terms of the agreement.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor

Alderman Maryann Heuston, Chairman
Committee on Finance