

## **Equity, Guidelines, Budgets, Contracts and Wage Increases**

There are two police unions, two unions for non-school employees, two school employee unions, and a number of Town employees not associated with any unions. Labor contract negotiations with the first four unions are conducted under the guidance and supervision of the Board of Selectmen and the Town Administrator. Those with the school unions are conducted under the guidance and supervision of the School Committee and the School Superintendent.

Labor costs, including pension and benefit provisions make up roughly 2/3rds of total Town expenditures in any given year. Each year, during the preparation of the new operating budgets, the Selectmen issue budget guidelines that set the broad context for any subsequent labor management agreements. These guidelines, adopted since FY06, are shown below. The guidelines adopted for the

FY	Labor Expense	Operating Expense
2006	3.00 %	1.00 %
2007	2.50 %	1.00 %
2008	2.50 %	0.00 %
2009	3.00 %	0.00 %
2010	0.00 %	0.00 %
2011	2.00 %	1.00 %
2012	Level funding of budget	

FY11 also allowed a 3% increase in energy costs. The guidelines adopted for the FY12 budget state, "...Departments should assume level funding from FY11. Mandatory and contractual requirements should be accommodated within these levels." Before FY08, it was the practice in setting the guidelines to specifically exempt contractual requirements negotiated during the budget year from the guidelines that preceded the negotiations. This, in effect, left the door open to any increase in labor costs that negotiators would come to agreement on. Since all parties recognized this, the practice greatly weakened the impact of the guidelines in restraining the long term growth of labor costs. Following FY08 the caveat exempting negotiated cost increases from budget guidelines was dropped. The significantly strengthened guidelines meant that negotiated labor cost increases had to be financed by transferring funds from other already authorized budget accounts.

In applying the budget guidelines to budget development and recommendation, the overarching consideration of the Finance Committee has been equity, the fair and even treatment of all Town employees. In practice, our efforts are complicated by the timing of negotiated settlements, and the competition for scarce resources. In addition, the concept of equity has been broadened to include considerations of taxpayer concerns. Many taxpayers in Town have experienced zero or negative income growth over the last two years, and some expect municipal workers to share that burden. The Finance Committee considers fair and even implementation of the budget guidelines to be an appropriate response to taxpayer concerns. Fair and even implementation also guides actions made more difficult by timing. Apart from that, we all have to just deal with the issues involved.

The Finance Committee approach to the competitive environment and conflicting expectations of the various Town committees and departments is to apply the formal guidelines fairly, evenly and accurately and to ask Town managers to put before Town Meeting any unmet needs as tax override proposals. Given the above, the Town will have a fair, open, and realistic basis for planning budget levels and financing measures to sustain Town operations.

How does this apply to the current situation as we approach the Annual Town Meeting (ATM)?

**Application of FY11 guidelines:**

***General Government Unions (4):***

FY11 guidelines allow a 2% increase in labor costs. A 2 % increase is part of the newly negotiated contracts. The contracts also call for a \$75,414.51 increase in labor and other expenses, and the financing of this cost increment is to be funded by reallocation of other authorized funding. This arrangement meets both the spirit and letter of the FY11 budget guidelines. It also adds this amount to the FY11 “level funding” base that carries over into the FY12 budget plans.

***School Unions (2)***

The Finance Committee 2010 ATM recommendation for the Town’s direct contribution to financing Public Education costs was \$9,302,706 (including the 2% labor guideline increase from FY10’s approved \$9,132,663). In addition a \$536,836 tax override was adopted to finance an increase in the baseline. The FY11 teachers’ contract called for a 0% increase in COLAs (Cost of Living Allowance) and pre-existing step and track increases, plus the new track additions. Although no firm figures are available for the cost increases due to these terms, it is highly probable that they fall below the allowable 2% increase guidelines. As such the FY11 cost baseline meets FY11 guidelines and is included in the FY12 projections.

**FY12 impact & Recommendations**

***General Government Unions (4)***

The \$25,986.87 in negotiated FY12 increases are not part of the FY11 baseline and should be financed via internal transfers in the ATM authorized FY12 budget.

***School Unions (2)***

The FY12 increases negotiated amount to a 1.25% increase in COLA and allowable step and track increases. All of these costs are outside the FY12 guidelines and are not included in the \$9,843,292 recommended Town share of direct Public Education costs. They are to be financed via internal budget transfers or use of school reserve funds.

**Future Union Negotiations and the Issue of Timing**

The logical time to adjust budget authorizations for union contract agreements is at the Fall Town Meeting. This gives all parties the information concerning current operation year budget guidelines and ATM authorizations that met or exceeded those guidelines. It gives the tax payers the opportunity to accept or reject any actions that affect the current year baseline authorizations that carry over into the upcoming budget year. It gives the budget planners an opportunity to fully incorporate approved changes in revised budget guidelines for preparation of the new budgets.

Guidelines for new budget planning should be set as they are now in late October or early November, when the call for budget proposals is sent out to the committee heads and department managers. Once issued, they should remain constant until budgets are submitted to the voters at the ATM for approval.