

ALG Minutes September 27, 2018

Present: Bart Wendell, facilitator (he was a bit delayed): Joan Gardner, BoS; Jason Cole & Roland Bourdon, FC; Diane Baum & Paul Murphy, SC; John Mangiaratti, Peter Light, Marie Altieri & Steve Barrett, Staff. Absent: Katie Green.

Audience: Mark Hald, Asst. Town manager, Jin Benson, BoS, Peter Ashton, Town Moderator, Bonnie Lobel & Ann Corcoran, COA.

Extra Info: Calendar for budget planning; spreadsheet and first draft of the finance committee's POV which was projected but has yet to be voted in by the entire committee

1. The minutes were accepted with the addition of the new town manager's name being added to the list of those in the audience.

2. FY 18 Year end, Town & schools

JM: things are going along normally we're working on controlling spending. We added \$265K to reserves that's from a budget of \$33,151,899 which represents .080 turn-back. We had a deficit in snow and ice of \$160K; natural resources \$120K (for the purchase of a special mower); Nursing is \$84K positive.

Revenues: 99.67% collection rate for taxes (which helps us keep our high Moody's rating); \$1.5m in state and local growth \$5.977---the bump coming from Insulet construction and is a one-time growth.

Peter: revenues are at \$800k which is a positive 1%; we returned \$1.7m to E&D. We took \$1.2m (last cycle) from E&D. \$525k of that was for bussing which will be reimbursed by the state. E&D was \$4m now it's \$4.7. In part due to some bussing reimbursements and the changes in teachers' salaries. When a long-time teacher retires, we bring in a new one at a lower salary. We also have a differential with substitute teachers. After regionalization, we have had a concerted effort to raise E&D to get a better Moody's rating.

3. FY 19 update

John: everything is going as planned No surprises so far.

Peter: revenues are slightly higher.

4. Spreadsheet

Members requested that the spreadsheets and other financial information be sent to the ALG members several days before the meeting and not the night before.

SB: said he would try. He noted that the spreadsheet has been a growing thing over the years as different ALGs have added things to the columns and the information tabs. What was before the members was the essentially the sheet for April town meeting.

He noted that the sheet will become a more precise vehicle when the budgets are set, the tax rate set and the various reserve funds certified. The sheet starts with tax to the max, a \$12.7m deficit and a \$1.3m proposed use of reserves. As the year progresses, these numbers change. The team working on producing the sheet is: Marie, Dave Verdolino, school finance director & Brian McMullen.

Jason questioned the numbers for E&D

Marie: \$525k bussing; \$750k building & \$200k operation—these were town meeting votes. They returned \$1.67m but that is not yet certified.

Marie agreed that the calculations for FY18 are not yet final. She noted that Jason seemed to be mixing years.

SB: noted that he was constrained by the state and the recap process. The state required the budget numbers to be used from the previous year rather than plan for the current.

Marie: The reserves are variable. On this sheet we have not taken out the \$300k from the tax levy. Right now the budgets are not real. She expects the assessments to be closer this year the turn backs have been used for capital. Health insurance has dropped; 30% of the employees have moved to Mass health. This has made the HIT very healthy.

5. FY 20 projections

SB: we still have property taxes at the full extent; local receipts will not be as high because Insulet Corp was a one-time hit; Quail Ridge is nearly built out. The area where we expect increases is interest on investments. The overlay account has \$900k we took \$700k out last year. The state is changing the regs on this account. We have state aid at 5% but need to wait for the budgets.

Marie: we get our money from Ch. 70. As a town we are in the mid-range and \$20-\$50/student. We will budget \$25-\$30. Supposedly there is legislation to increase this amount, it may be successful---it's an election year. We have been conservative in part because we were "tagged" by Moody's and we have rebuilt our E&D to a healthy level.

6. FC POV (this document has yet to be voted by the entire committee)

The concerns if the FC include: budget spending often exceeds 2.5%.to cover the shortfall, reserve funds are used; the growth in compensation—71.60% of next year's town budget will be salary and fringes while 79.05% of the schools budget will be salaries and fringes.

In the past four years, compensation growth exceeded 4%

Projected debt: ..."based on current assumptions, we estimate a new twin school & a fire station will add debt payment costs of \$4.5million/year over the next five years. Current projected impact on the average single family tax bill shows a peak in 2023 at \$333, but declines by 2028 to \$46. "

The FC is concerned that the projected reduction in reserves will have them drop below the 5% floor which is the accepted policy

The FC wants everyone to adhere to the upper and lower thresholds for reserves. The lower threshold is 5% of municipal spending; Upper threshold is 3% of total Acton spending including schools.

Reserves: the FY20 budget us likely to reduce reserves and we are in jeopardy of being below the reserve policy floor. Continuing to spend reserves for the operating budget is unsustainable. Replenish is less than budget reserve use.

Recommendations: reserve policy

Adhere to upper and lower thresholds. Lower us the 5% for municipal spending with upper 3% for total spending; encourage reserve use for one-time items capital needs and emergencies.

The FC likes the OPEB contributions and thinks that thus helps greatly with the Moody's rating.

Prioritize capital projects; don't add non-reimbursable items to the school projects.

Do not use reserves to plug operating gaps: use for one-time capital projects.

On land purchases, the FC wants to have a clearly defines planed for the continued town ownership, specifically the Walker Property and River street.

FY 20 operating budget should grow by no more that 3%.

Capital overrides are coming without a change in spending; operating overrides may become necessary as well.

There was a general discussion about the FC's POV. It was noted that there was a town meeting "promise" to shift the cost of the River Street property from the town to the CPC.

Roland noted that during the purchase process, the CPC application was not complete so was rejected. The town can reapply for the land costs. John said he'd look into it.

Marie questioned the reserve policy especially the 3% upper limit saying that E&D is not in the calculation. Paul suggested that the 3% not be an arbitrary number but based on need. John wanted to know if the lower and upper numbers were a fixed practice.

Bart suggested that it had been an historic FC ask.

SB noted that it was a FC policy but it had been difficult over the years to come up with one policy.

Marie suggested that the policy was the time when the reserves were 4(m which is no longer the case and the FC wanted to lower thwart amount, principally through tax give backs. She suggested that the SC would be fine with a 4-4.5% and could not do with less than \$1m.

Jason said that it was time to dedicate these funds for capital and not operating budget.

Paul suggested that the retirement of the debt would allow for more funds.

This issue did not reach a consensus.

Overrides were discussed and it was agreed that the April before the pending override the taxpayers needed to be told that it was coming.

7. School building

Peter said that the design firm was picked in June and there are now analyses about costs the placement, number of builds, etc. They are going through the site testing with MSBA. All this information is being sent to the building committee.

Mass Save and Ever source are doing an energy efficiency study at no cost to the district using this study as a template for their future work. All environmental efficiencies will be explored but one principle is to insure that the MSBA will reimburse the project.

There was an attempt to make a meeting schedule. However that did not work.

The next meeting will be October 25 at 7 PM

Adjourned 8:50

Ann Chang