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ALG Minutes October 26, 2017

**TOWN CLERK
ACTON**

Present: Bart Wendell, facilitator; Janet Adachi & Katie Green, BoS; Amy Krishnamurthy, SC; Steve Noone & Jason Cole, FC; Bill McAlduff, Marie Altieri & Steve Barrett, staff. Absent: Paul Murphy, SC; Steve Ledoux, staff. Audience: Mark Hald, Asst. Town Manager, Brian Mc Mullen, Asst. Assessor, Pater Ashton, Town Moderator & Dave Verdolino, School Finance Director.

Extra info: spreadsheet; reserve replenishments; Minuteman assessment; free cash certification and AB selected analysis of E&D.

Minutes accepted with correction

2. Update of FY 18 revenues and expenses

Bill: The first ¼ looks favorable without spending capital. We have a \$220K increase; we have an unfavorable in salaries; utilities are favorable by @1\$100K; we are projecting a \$2-300K favorable.

SB: revenues keep coming with our 99.5% in collection. We have no issues with revenues. We have a one-time collection of permit fee from Insulet. We are waiting for the snow and ice expenditures. So far it is smooth sailing.

3. Certification of free cash

SB: This used to be a two-page report and now it's a stack of papers. It's \$3.862m. The DOR has its own way of looking at receivables like the Bruce Freeman rail trail: enterprise funds have decent revenues; ambulance fund will need a \$200K subsidy; In the fire department we went to advance life support system and have a couple of month' data so far. We are hoping for additional revenue.

Jason: you have the certification but what's the \$300K more

SB: BFRT is waiting for money from the state. Certification is not a simple calculation.

Jason: So you are on the conservative side? The \$3-\$3.5 came in at \$3.8 generally speaking that's 10% over what you are telling us.

SB: I never estimate free cash before certification because of the rules of the DOR.

4. Spreadsheet

SB: I've given you only a two page hand-out; pages where there has been some activity. The biggest change is in Minuteman operating and projected debt. There is a \$245,070 difference or 22.84% increase. I have put the MM data into the ALG model.

5. Preliminary consensus on revenues

SB: The big thing in the model is we are taxing to the max and recovering the unused levy capacity. We have the one-time permit fee \$450K from Insulet.

Marie: Ch70 used to be huge swing and a big part of our planning. It no longer is. We have put in \$20/student. WE may be able to put in \$25/student. Last year we got \$55/pupil.

Katie: what about transportation. I remember that this has been a reimbursement problem.

Marie: In FY 18 we got 70% of the cost in FY 16 we got 16%. We have put the 70% back in the budget.

Bart: Do we have a preliminary consensus on revenues?

SN: the FC does not favor using all of the intake which is about \$900K. We would like to see \$300K used.

Janet: doesn't that draw more heavily on reserves?

SN: yes. We favor an increase in the \$1.3m number to \$4m for FY 19 and FY20 \$5m. We do not have adequate reserves absent \$4m in replenishment. We have a concern that at the same town meeting asking for school bonding and we will have a town operating budget override. That will put us in jeopardy of 1 or 2 failing.

Katie: hopefully we can use increase in the levy and come in at a 3.5% and the schools come in less. We will have to watch the one-time fees.

***It was agreed to do the budget reviews at the January meeting. Meanwhile the FC's position will be taken "under advisement"

SN: we need a consensus on everything: unused tax levy and use of reserves.

6. Presentation of reserve replenishment

SB: Handout FY15 \$2,799; FY 16 \$2,362; FY 17 \$3,907. That makes a three-year average of \$3,023.

Marie: We will have more information next time. We are looking back to FY 12. The turn backs have averaged \$3m for the last six years. We have consistently put \$2.3m into the budget. The reserves have gone from \$11m-\$9m. We spent \$2m and \$880K on land purchases. Free cash has been reduced by the \$200K in the stabilization fund. That means we have spent \$3.6; \$3.2 and \$3.8 over the past three years.

Katie: That's very helpful to see what's going into reserves. It helps with our understanding of spending and expenses. It's great to see the increase in revenues due to under-spending and wondering if we are over estimating expenses.

Janet: Paul has been asking for this information and the trends in replenishment. If we can see a pattern, that would be good. It would be helpful to know the cause whether it's over estimating or getting unexpected revenues.

SB: The ALG plan is for a \$100m corporation and to not spend 1% of the revenues, that's a very good record. The DOR encourages reserve replacement.

Marie: where reserves come from is helpful. There are three big areas: salaries; health insurance and utilities. Salaries may be \$400-500k roughly, but remember we have 1,000 employees. We have a \$65m budget; people leave; others come in at a lower rate, it's fluid. Right now we have a negative \$80K.

Health insurance is positive. Last year we had a \$250K increase. Remember that 10 people can cause a \$200K swing. Right now we have @ 750 on health insurance. For utilities we are doing conservation and green efforts to reduce the costs.

SN: We looked at the issue of \$1.3m as 1% of the operating budget. Work needs to be done on the increase or reserve use in FY19. It's all well and good to say it's going to be replenished or saying that there is \$4.2m in reserves we didn't use. It's good to have the replenishment but where is the transparency?

SB: State law used to require the appropriation be higher to pay for all goods and services, even from the reserves.

SN: That's why the \$1.3m needs to be in the budget maybe the state is going heavy on reserves we use \$3.5m now, we cannot appropriate for FY 20

Katie: we need to refigure the \$1.3m and put in (the ALG model) the reserve use and fully explain it. But we have to make sure we do not increase the tax rate more than we need to.

SN: one year's actuals will not make the point we need to make.

***Bart: so we agree that we need more transparency?

Janet: we need to get people to understand especially those who say we are over-taxing.

Marie: The ALG working model is not the DOR submission. We need to estimate the replenishment. The reason for the big deficit in the out years. We should try for a five-six year average.

Jason: sounds like reserves are replenished by turn backs. The problem is what happens when we don't have turn backs and no reserves?

SB: There is no correlation between turn backs and reserve use. We have the budget vs. actuals; we have never used all the reserves in one year

SN: The ALG spreadsheet is a device of our own invention to come before town meeting. If we get too hung up, we'll make mistakes and not see what's really happening.

Marie: we use it to mitigate risk for one-time items. We used E&D for the Leary field. Other capital projects will not get done. At least we did not have to lay off staff.

Bart: Reserve replenishment will be on agenda

AMY: FYI there are forum on the school building project. We have the support of both the Boxboro selectmen and FC.

SN: we voted this week to support the project.

Katie: we have yet to discuss it.

SN: FYI there us a meeting with the committee for the Town Manager selection tonight.

7. Public Comment

None

Adjourned: 8:35 Next meeting November 30

Ann Chang