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ALG Minutes November 29, 2012

Present: Bart Wendell, facilitator; Mary Ann Ashton & Doug Tindal, FC; Janet Adachi & Pam Harting-Barrat, BoS; Xuan Kong & Kim McOsker, SC; Steve Mills, Steve Ledoux, Steve Barrett & Don Alcardi, staff.

Audience: Pat Clifford, FC; Dennis Bruce, SC; Bob Ingram & Charlie Kadlec, AVG.

1. Minutes accepted
2. Update of FY 13 revenues & expenses

Steve L: nothing new. Steve M: it's just the end of the first quarter & too early in the process.

Mary Ann: we all saw the memo from Rep. Cory Atkins about state revenues being down. I'd like that to be part of the record. It is not clear how the loss of state revenues will affect our revenues.

Kim: You need to include the uncertainty on the Federal level

S Mills: The loss of \$150M out of a budget of \$28b is not great---it's still too early

3. Revenue projections (ALG spreadsheet)

Steve L: This is the carryover from last time---level fund Ch 70 or raise it to 7%

Don: Building a model of Ch 70 includes the Foundation number, enrollment, lower income students and the mystery factor. FY 13 Ch 70 was greater due to increase in enrollment and 3.6% inflation factor. Roger Hatch (numbers guru guy from DESE) is using a 1.57% inflation factor for FY 14

I have used all these numbers and updated the model to level funding [numbers on the ALG spreadsheet] at the end of the year in June the state added \$40/pupil which increased the state aid for Acton. We should not count on this end of the year increase so both APS & AB are flat with no increase. I'm hoping I'm wrong---it's \$500k off the numbers based on earlier assumptions.

Steve B: Revenue projections for FY 14 \$88.775---no new operating; state aid level funded; local level as well.

Mary Ann: We appreciate you going back and changing the numbers. The FC is comfortable and can agree on the projections.

\*\*\*Bart: everyone approves the revenue projections on the spreadsheet

4. Use of reserves

Pam: I'd like to have \$2M. It's early---just the end of Nov. & we are way off on projections & I'm not comfortable with the \$1.5M. We regenerate reserves & I feel comfortable with \$2M

Bart: Is that reasonable?

Doug: It's the FC's view that the \$1.5M is appropriate---we have yet to receive official input on the use of \$1.5M. The budgets are not in; we are in a shake-out period but the FC is firm on the \$1.5M figure in the face of an overall \$3.5M shortfall even after the use of \$2M. The FC is set to lessen the shortfall---we are using the operating budget to eat away at our reserves. As we

massage the budget numbers \$2M might make sense but the \$1.5M is more conservative especially when looking at the deficits.

Janet: it is my inclination to be more conservative but I'm not prepared to commit to either. The numbers can change—it is better to plan for the worse case.

Kim: I agree with Pam-- It is not a usual budget; we do not want to cut into services

Pam: we do not know the numbers---we should wait until we have the local aid numbers---it is early & we can compromise after we have seen the budgets

Doug: It would be nice if we collected too much for reserves & we had an "embarrassment of riches" The reserves are made up of one-time payments & we have a tendency to put too much of our reserves into the pot.

Xuan: Reserve use is part of the resources of the Town. We need to consider the burden on the taxpayers and deliver a reasonable service. We can do that with \$2M in reserve use—then we will still have a \$1.5M shortfall which the three operating entities are trying to eliminate. We have HIT at greater than 10%; union contracts to honor.

Steve L: the budgets are still under formulation but in two weeks we will know the features; the value of the property tax and what we want. The Town needs four more police officer; Kelley's Corner redesign---we do not know what the implications of these will be until we put the budget together.

Mary Ann: we do not know what is in the budgets or state aid---we only know the 2.5 increase under Prop. 2.5%. For the FC the reserve use is \$1.5M---it always seems to creep up—let's see what we actually have first.

Steve L: I am working on a budget that shows our share of \$1.5M & \$2M

Doug: we don't have any budgets yet---there is always upward pressure --the investment budget for the schools and the new police officers. The FC has a low bar and wants a tight budget--- there is already a \$3.5M shortfall

Bart: do you want to pick how conservative you want to be?

\*\*\*\*After a discussion of when each entity would be presenting their budgets it was agreed that this discussion would be held again on the Jan. 10<sup>th</sup> meeting

#### 5. Long Range Plan

Mary Ann: we are incorporating Don's assumptions---but have not moved forward yet.

Xuan: the schools looked back at five years of actual & charted the expenditure increases.

Mary Ann: we want a long Range plan sooner [than March] we will use the school's data & work with Steve L & Steve B. on the Town's expenditures.

#### 6. School regionalization

Xuan: we are trying to reach out to both communities with open information meetings. We spoke to Roger Hatch of DESE about the Ch. 70 formula which will give us \$150k less---we have talked to our three legislators for help in getting this fixed—so we will be held harmless

Pam asked about the meetings—Xuan went through a list of them

#### 7. OPEB

Steve B. they met last night & reviewed the Segal report. There are changes in the actuarial assumptions which have cut the liability in half. Right now a person only has to work for 10 year to become vested--- we may change that to different rates for 10/25/30 year workers. I think these numbers will end up with changes in the state law.

As we look out to the future when we hire a new person we need to calculate the OPEB liability as well as all the other benefits.

Mary Ann: for budget purposes---do we still intend to use the \$800k number?

Steve B: yes we are also exploring borrowing options

Don: state law will not allow us to bond over 25 years---we were hoping it would be more like a mortgage and are bonded for 30 years. WE are suggesting you put in the \$800k for this year and carry it forward until we get more info from the state

Bart: are there any objections to using the \$800k number? There were none

Doug noted that the number used last year \$500k was just one he "picked out of the air" to catch people's attention. Although the liability is far greater, there is a limit to what we can extract from the budgets.

Don: there is no consensus [on the state level or among other town finance people] on the correct level of payment into the fund. Acton is ahead---we have a fund. There is the problem that we would try to make it too much---we just need to be honest with the citizens so they understand what's happening

Doug: I don't want to be disruptive but bonding the remaining half of the \$88M would be a \$2.5M annual rate. We have to draw a line in the sand & say what we are going to pay off every year, hoping that the three board meeting would come up with an idea/common basis for the pay out.

Kim: Boxboro does not have a fund & is not paying into OPEB

Pam: before Town Meeting we should probably have a forum on the OPEB [problem and possible solutions]

## 8. Public

Charlie Kadlec: You need to make it clear what parts of OIPEB are for the town and what parts are for the schools. The box was pointed out & Mr. Kadlec said the print on the spreadsheet is too small

Mr. Kadlec also suggested that it would be useful to show recurring sources of money that go into making up the reserves.

The next meeting is scheduled for Dec. 13<sup>th</sup> at 5 PM

After that the meetings are: Jan 10<sup>th</sup>; Jan 24---Bart will not be able to attend; Feb 14<sup>th</sup> & Feb 28<sup>th</sup>

All of these winter meetings will start at 5PM

Adjourned: 8:35

Ann Chang