

ALG Minutes, Feb. 11, 2021; 8:30 AM via Zoom

Present: Bart Wendell, facilitator: Jon Benson, and Dean Charter, BoS; John Petersen and Amy Krishnamurthy, SC; Christi Andersen and Christine Russell, FC; John Mangiaratti, Peter Light, Steve Barrett and Marie Altieri, staff. Others: Dave Verdolino, Finance director, ABRSD.

Extra information and documents: Agenda, Minutes from Jan 14, 2021 and Acton Multi-year financial model.

I. Regular Business

1. Minutes were accepted with noted typos

II. Special business

2. FY 21 Update

Peter: The information will be presented in greater depth at the school committee meeting. Overall, the revenue is down@\$263K. This is a combination of state aid, interest income and transportation costs. On the expense side we are \$625K to the positive. However, there is a HUGE asterisk: we have spent way more than budgeted on air purifiers, technology, teacher salaries; we expect some relief in February from ESSER and more CARES.

Overall, there may be a modest turn back of \$360K; this is an unusually conservative estimate, it could be greater but we want to be on the conservative side for now.

We are looking for additional Federal funding of about \$425K--- it will be need based under the Title I program---it can be used over multiple years. There will be more details later.

John M: Steve has done an excellent job in updating the model.

We are still in a spending freeze and hiring freeze except where the positions need to be filled. We put the reopening of Town Hall on pauser. We have been dealing with the public successfully remotely. I expect that the hotline that's been established will continue after the pandemic is over. We have trained a staff team to answer the questions and it has had a positive impact. We have hired two people for longstanding vacancies: Kristen Guichard was promoted as Town Planner to fill the vacancy left by Roland Bartl and QinRui Pang was promoted as Town engineer filling the vacancy left by Paul Campbell. This means we now have to fill their positions. On the revenue side, we are still watching state aid; the investment income shortfall; meals tax seems to be ok, which is a surprise; and we're waiting for the excise tax numbers. We don't know what the turnback will be as yet. We are focusing on spending CARES and FEMA for pandemic costs and putting normal spending aside. We are trying to get access to vaccine supply and expect to be safely administering the vaccine in March.

Christi: what's the hotline number? It's not on the website.

John: 978 929-6600; the Town Clerk is the defacto operator; it will be put on the website.

John P: I can understand in a normal year that we estimate the turn backs. Because they may be larger numbers, from my view, I think we should have a bounding range. The school's number of \$346 is conservative; going forward have a range \$500K-\$1.5 m' you get bonus points for getting closer...

Christi: why [would we do that] the FC only uses the previous year's turn backs.

John M: we come up with predictions—right now we are in a position of a below normal spending rate. Today we are expecting more from FEMA---which might help in the turn backs; there are lots of moving parts and ATM is still four months away.

Bart: is there more discussion on this or should we leave it?

JP: if John M is willing to do estimates, why not do a range. It's an important part of finalizing the budget; we are now marching to the Boxboro ATM time

Peter: what's the value of adding a range?

JP: when projecting E&D bounds give a range of outcomes; it changes perceptions.

Peter: I'll give it some thought.

Bart: we'll leave it there

3. FC POV

Christi: there is nothing more than from last meeting

John M: What about the fixed income number?

Christine explained that she'd had some problems in replicating the numbers and that the census; finding total family income was greater; total household income did not have an enormous drop.

There was a discussion on the source and validity of the numbers. There were questions from both the schools and town. It was decided that this discussion should be had off-line and Christine would send out a PDF of the information where she got the household v. family and median income totals.

It was agreed that getting these numbers right was important for town Meeting.

This item will be kept on the agenda.

4. Multi-year plan

Steve: movement in the FY 22 column from estimates to actual has lowered the debt with a positive impact on the SFT rate from 3.83% to 3.67%; the preliminary FY22 tab 700K impact; \$1, 652 so the new deficit is \$916K. That has \$0 tax levy; \$1.15m in reserve user and a deficit of \$916K

Marie: the question is how we deal with this deficit; do we do it town and schools separately or together. March 18th is our final budget. The town budget will be presented on March 1---it's tricky as to how the ALG will deal with the deficit. We are making the assumption that we will be using \$1.1m from E&D and \$1.1m from free cash. Right now, the assessment is at 3.17%---there will be

more movement on this. If we go much further, we will be going into personnel. We run the risk of having the schools with no place to go but to personnel. The FC POV has a much smaller number for free cash than the ALG plan.

Bart: does there seem to be any agreement on this?

JP: I agree, shifting the ATM means we are working toward the Boxboro meeting---we can't move forward with this gap---we need to make it smaller. The school assessment is 4% growth; growth in property values has reached a breaking point. In my view, we finesse FY 22 and have a more painful FY 23.

Bart: do others see the system as broken?

JP: 2.5% should really be 3% for sustainable numbers 3% is on the edge and anything greater is a problem. To advocate for an override is crazy. The wild card is the federal money that may come.

Bart: Is there any agreement or proposal?

Christi: on my own behalf, one option would be for the town to shift capital items to the stabilization fund. I think I can get the FC to support it.

John M: I understand how the FC wants the policy to be adopted. March 1st I will present the budget to the BOS after the budget presentations we will be having meetings.

There was a general discussion as to when the next ALG meetings should take place based on having the most information from both the town budget and the schools.

After proposing various dates, it was determined that the ALG would meet on March 4th and March 11th at 8:30 by zoom.

Bart: does that solve today's needs or do we need to go deeper?

Marie: it's a good start---we both will have more refined budget numbers. We need to discuss the POV's stance on free cash use. I totally understand the goals and know the reserves have been reduced while E&D has grown. I do not think we can go lower than \$1.1-\$1.3m for free cash. We cannot assume that there will be \$0 in turn backs.

Christi: a shift (using the stabilization fund) might result in a decrease (use of reserves) but we have to use the budget we have---it's an unfortunate time for the increase in taxes with the schools and North Acton Fire station. I will take the comments back to the FC.

Jon: It would be helpful for there to be an answer to not having an override in FY22, 23 or 24.

Bart: any other comments?

Jon: looking at the net positions FY 23 & 24 we have deficits of \$3.7m and \$6.2m---how do we break these deficits short of an override?

Christine: the whole point of the reserve statement is that you don't spend that money. You cannot continue to get 4% increases and tax at 4%---our plan is trying to say this.

Dean: I agree with Christine. I have no stomach for an override the people are taxed to the max as it is. I also do not see the possibility of an override passing. If it were to fail, we'd really have to scramble and cut.

Marie: we need to look more closely at the FY 23 & 24 assessment numbers. The schools were at 3.7% increase; now we are at 3.2% and heading to below 3%. We are doing conservative budgeting and the out years look worse than they are. We can work off-line on these budget numbers.

Peter: I don't live in Acton but do live in a town where the tax rate is over \$20. As a practical starting point—it's hard to sit on large amounts of reserves; make service cuts and have an override. The primary function of reserves is to put money away in good years and save it for the lean. We need to use reserves strategically; but cutting programs just to keep reserves does not seem like a good idea.

Christi: looking at the budgets historically, we see that there has been a greater than 4% increase in staffing costs and the revenues are not keeping up. It's a fundamental issue.

JP: if we had a big pile of cash it would be a problem. For the discussions on the school side, we take money out for things that are not sexy like CIP programs, critical hybrid programs, the Parker Damon building roof is aging out. The budgets need to deliver the daily services but we cannot ignore the long-term needs.

Amy: I hear John and agree. It's important to get the things that need fixing fixed---that does impact the students.

Dean: On the town side we have tried to keep buildings together and we have looked many times at upgrading different structures; we have kicked the can for over 4 years and now we have to play catch-up. We need to have a balanced approach to infrastructure improvements.

Marie: My response to John Petersen: the tax levy change has been consistent and over the last six years has grown greater than 4%.

Jon: you mean the 2.5% plus new growth.

Christi: unfortunately, we have no date only anecdotal evidence on income decline and pay cuts. People are in difficult situations expenses have built up; it's hard to push forward, we should be looking well into the future—and the ability of people to pay. We need to remember that 70% do not use the schools.

Bart: do we have an agreement that no one present is proposing an override? There was general agreement to this statement.

Peter: we will be doing our second budget this week and the assessment is now under 3%

Bart: what are the next steps?

Marie: we will know the Town's numbers and be able to run out the numbers for FY 23 & 24. We also need to get closer in the ALG plans for reserve use.

5. School building Update

Peter: everything is on schedule; the steel is going up and it looks like a building. We are drilling for the thermal wells; we are \$6M under budget; we have fully replenished the contingency fund and we have benefitted from the early bonding by getting lower rates.

6. NA fire Station

John: We are digging the thermal wells and doing the sustainability checks; it also looks like a building.

7. Budget/ calendar/ATM

JP: The calendar gives the chance to decouple the schools and town. We should be finished by March 11th and that will leave little wiggle room for more discussion.

Bart: do you have a proposal?

John: I have to follow the Charter; we have made an exception this year because of the date for the ATM. The FC will get the budget after March 11 and by then I hope we are all on the same page.

Christi: How does Boxboro handle the assessment.

Marie: the numbers are driven by Acton and they follow our lead. They are locked into the assessment and can't go back.

Peter: this is the first year Boxboro will see a 4.5% increase; the parity is starting to shift.

JP: clearly, it's what they pay in absolute terms, the rate shifts are minimal.

Bart: how are we to proceed forward?

Christi: would it be helpful to take in the federal monies for the town and schools?

John: that would not be productive

Marie: we can wait for that but I'm wondering about the HIT.

JP: we just provide guidance. It's still at 5% but may go up to 7% in the near term. It's still below market rates. If there is a change in the rate it will be between \$250-\$300K.

There was no public.

Bart: We'll plan to meet next on March 4th at 8:30 via Zoom and then again on March 11th. Send any agenda items to John.

Adjourned at 9:55

Ann Chang

