

ALG Minutes, January 5, 2017

Present: Peter Ashton, facilitator; Janet Adachi & Peter Berry BoS; Paul Murphy & Amy Krishnamurthy, SC; Margret Busse & Doug Tindal, FC; Steve Ledoux, Glenn Brand, Steve Barrett & Marie Altieri, staff.

Audience: Brian McMullen, Mark Hald, Clare Jeannotte, staff; Charlie Kadlec.

Extra info: multi-year financial model; change sheet & location of the changes

Minutes accepted

2. Update of FY17 revenues and expenditures.

There was nothing new to report on either the town or schools' side

Margaret mentioned that the snow on the streets in Acton was cleared better than her home town in Utah.

3. Spreadsheet

SB: The ALG plan has been adjusted to take in the info from the budgets. We have preliminary numbers for Minuteman Tech.

The increase in the town is 3.5% to 4.5%; for the schools goes from 4.67% to 4.92%

Marie: The \$190k cost of the Minuteman program for the junior high has now been put into the budget

SL: The FY17 \$997,655 for MM for FY 18 \$1.52m is a preliminary number. It's a 5.45% increase. There is one student from Acton who may be going to Nashoba Tech

Glenn: MM does not have a veterinary program, and Nashoba does. Our portion of the \$190K will be in the assessment.

Peter B: Does that mean we will only be charged the 83%

Marie: Boxboro will be assessed directly for any kids from Boxboro who go to MM.

Margaret: Municipal has gone from 3.63% to 4.53%

SL: Its operational expenses

Margaret: I've seen a difference on the DOR website in our reserve numbers.

Marie, Steve Barrett and Margaret will get together and go over the spreadsheet.

Doug: Nursing is receiving \$150K what's the increase in the expenses.

SB: The numbers are in the budget book. The spreadsheet shows the P&L for FY16 & 17. We have revenue projections of \$300k. Remember there are a public health component & a nursing component.

Doug: I know there have been efforts to increase the use. As the traffic has gone up is that \$150K net. What is the state of the reserves [for nursing service]? We were using \$1.6m---so is the deficit \$850k?

SB over all the municipal reserves is \$4.837m; E&D \$2.3m and stabilization \$2m.

We had \$9m at the beginning [after certification] but took \$983K at the STM

Doug: So the major driver is still the school assessment

Glenn: Our budget increases are due in part to the capital spending and SPED which is something we can never predict, especially SPED transportation.

Doug: Is there new staff?

Glenn: We'll discuss new staff at budget Saturday.

Marie: The increase in capital has been put into the operating budget greater than \$1/2m. I don't know how to highlight operational expenses.

Margaret: we have an excess of reserves. Are you planning on spending them on building repairs? The Town is asking for an 8% ceiling on reserves which the FC thinks is far too high.

Marie: the plan is to fully recapture the tax levy. Is it \$1.6m or may we use the replenishment of \$900K?

Morphed into agenda item #4 Discussion of ALG plan and consensus on its components

Margaret: The feeling of the FC is not to move on reserves right now. In general there is work to be done to make them balance and get close to the FC's POV budget cuts. We are not using any existing untaxed levy

Marie: what I'm hearing is the FC wants to stay with the \$1.6m, not use any of the replenishment or calculate the replenishment and yet you want us to draw down reserves.

Margaret: Yes. The \$1.6m is the total and not accounting for any replenishment

Doug: fundamentally our reserves are too large. The problem is when we have that money we just use it without any planning or thought. We have some major expenses coming up like fire stations and schools where we are going to have to spend significant money. We have been spending on short term thinking and not long-term thinking...

Janet: I know you said our cap at 8% was high so I looked up the surrounding towns and saw that Acton's reserves were not out of order. In fact we are in the middle. The problem the selectmen see is that people want services and that costs money. Somehow to say that the municipal government is wasteful is not the case.

Doug: There is no point in comparison. The reserves should be our insurance policy. We need to look to the future. We have just allowed this money to accumulate and then spend it when something pops up.

Paul: I have a question about total v. net. There is an expectation that there will be turn-backs for the reserves---it's an unknown component but it is real. In this current situation I think we need to use it. The second thing is there should be a number of capital projects ties to the reserves.

Peter B: It's not turn-backs which is only 1% of the entire budget [which I think is quite remarkable] it's due to increases in the revenues through increases in excises taxes or tax payments. We do have a stabilization fund that is supposed to be used for capital we could move more into this fund to cover long term needs.

Janet: We do have capital planning in place. I envision a system such as they have in Arlington where the whole town is on board for the funding of capital items. While I've been on the board there have been no crises which I attribute to good management on the part of the town manager and finance staff.

Margaret: It's clear that we need a reserve use policy. We tried to accomplish that in our POV. We think that town should stay away from subsidizing the operating budget with reserves and bring down the overall level of reserves.

They can be used on one-time capital expenses but we do not see the rationale for Acton to have an 8% cap ---we think this hamstrings the town. If you run some emergency scenarios that show we need to keep this level or just how much will be needed. The FC feels strongly that a 3% cap for total spending is all that's necessary. But it should not be used to bolster the operating budgets.

Marie: Two suggestions: 1. Have the municipal breakout capital expenses that are in the operating budget and 2. Replenishment of reserves needs to be shown as a revenue source. I think that would give greater transparency and I think you'll see that the replenishment goes up more than expected.

Doug: It makes sense to track the capital needs and identify the problem areas. We have never had capital as a front line expense. We need to tie reserves to capital projects. Since these will be future needs we should not be taxing now for future expenses. The schools have said they'll need new buildings in 2022. We need to do the same exercise for the town.

Janet: I like both of Marie's suggestions. The info will eventually get out to the public.

Peter A: Is that a relative consensus?

The FinCom members were sticking to their position that the total use of reserves was only \$1.6m and that needed to be reflected in the spreadsheet. The deficit caused would then have to be operating budget cuts.

The selectmen seemed to be sticking to having the reserve level at 8% rather than the 5% recommended by the DOR. Steve Ledoux related two catastrophic occurrences that he felt justified keeping the reserves at the higher level.

Doug did not see the examples as persuasive enough but said that those today should not be taxed for projects or risks at a later date. He reiterated his position of mapping out long term capital needs and

not accumulating “blobs” of money. He noted that Town Meeting was likely to pass a well reasoned set of projects.

Peter B: suggested that the ALG develop a long term reserve policy

Peter A: suggested that was a discussion for another ALG meeting. That was agreed to. There was agreement that it would be helpful to the entities and the FinCom to have a revised the ALG spreadsheet would incorporate Marie’s changes before the next BoS meeting 1/23 and FC meeting 1/24.

Public

Charlie: Returning to Marie’s suggestion of making the operating budget just the yearly repetitive expenses and pull out all the others so year- to -year changes in the operating budget can be more easily tracked. He also noted that the bond issues need to be separated because as the amounts lessened, the excess was just being subsumed by the operation expenses.

There has to be a discussion on what reserves are for and the idea of setting aside money for the future being paid by todays isn’t fair. If the projects are large enough, they will be bonded and then everyone can vote on the expense. Stabilization is misleading it’s easy to restrict the use the only benefit is having the money available 12 months of the year. With the current reserves there is no reason to tax to the max.

SB: The town does isolate the excluded debt

Charlie: I don’t see the year-to-year changes

Adjourned 8:35

Next meeting: Jan 26

Ann Chang