

Minutes of the Acton Finance Committee Meeting DECEMBER 7, 2011 7:30 pm –
Meeting Room, Acton Memorial Library

Pursuant to a notice duly posted with the Town Clerk and with a quorum of members present, the Acton Finance Committee convened at 7:30 p.m. on DECEMBER 7, 2011, to review various matters.

Members Present: Mary Ann Ashton, Maynard Brandon, Patricia Clifford, Robert Evans, Paulina Knibbe, Steve Noone, Clint Seward, and Doug Tindal.

Members Absent: William Mullin

Also Present: John Murray, Assistant Town Manager

Acting Chairman Tindal called the meeting to order at 7:30 pm. He explained the purpose of the meeting was to hear results of the White Paper subcommittee on Long Range Financial Forecasting as a context for further consideration of the 2011 Point of View.

LONG RANGE FINANCIAL FORECAST

On behalf of the subcommittee, Mr. Noone distributed copies of slides summarizing the model developed to help assess the impact of various spending choices using three scenarios: Favorable, Most Likely and Unfavorable. The model is intended to generate discussions based on a common set of assumptions of costs and revenues using historic data and real current information when available. Unlike the ALG model, this planning tool attempts to predict expenses by analyzing specific categories.

Mrs. Ashton, who also served on the subcommittee, reiterated that this model looks at big categories of expenses, but also allows examination of the impact of specific items, such as a land purchase. It is a tool that can be used to assess policy changes and opportunities. Mr. Seward, another subcommittee member, explained that the model shows all kinds of alternatives, but underscored his interpretation of the results as negative in the long term given the current revenue uses. The fourth subcommittee member, Mr. Tindal, felt the value of the spreadsheets is that they provide a framework for discussions and that they can be tactical by helping identify ways to make mid course corrections.

In response to Ms. Knibbe's question about the model's ability to reflect intangibles such as reduced risk, Mr. Noone said that real numbers were incorporated as much as possible. When historic data was used, ranges were developed.

Mr. Evans asked for a separate line on the charts outlining assumptions for reserve use. Mrs. Ashton added that once we have some real numbers in the budgets for FY13 we will see the long term impact of those decisions, and that it might be desirable to have a line for cost savings.

Mr. Tindal explained that since this is a model and not a plan specifically, it has the potential for developing as more perspectives and thinking are incorporated. Mrs. Ashton said the next step would be to socialize this model among the Boards that create budgets so that they can understand its utility and integrate it into their ongoing policy work.

POINT OF VIEW

Mr. Tindal then asked if, based on the material presented in the forecasting model, there were additional comments on the text of the Point of View. He specifically noted that there were comments after the last meeting about the section suggesting budget increases of 3-4 percent that could not be reconciled and he had therefore delayed the circulation of the POV in order to have further Committee discussion at this meeting.

Mr. Noone said his interpretation of the 3-4 percent budget increases meant only if services were added and suggested that the language was confusing and should be struck.

Ms. Knibbe agreed that the increased draw on reserves was needed to increase services, presenting a contradiction and agreed the language should be taken out. She continued that it was difficult to argue for a reduction in the level of services, which she felt was a result of the reduced revenue number. She commented that it takes time for a reaction to new information to result in change.

Mr. Seward reminded the Committee that if handled appropriately, the OPEB costs could be in the \$ 3-4 million range, which would further absorb available reserves.

Mr. Noone stated that he did not necessarily advocate reduced services, but rather reduced reserve use and suggested that a statement be included in the section on citizens' expectations. Mrs. Ashton suggested that the POV include a new bullet under citizens' expectations as follows: *In view of the magnitude of the OPEB liability and its impact on all future budgets, citizens should understand that the current revenue sources, including property taxes, will not continue to support the current service level. Inherent in this imbalance will be choices among current services, proposed increases in service and raising additional revenues.*

Ms. Knibbe moved the following language change for the POV: reserve use should be restricted to \$1.5 million for FY13 including \$500K for funding OPEB. Mrs. Ashton seconded the motion.

Speaking to her motion, Ms. Knibbe commented that she believed that adding the \$500K in reserves specifically for OPEB was not as draconian as the original reserve reduction and still showed a diligent effort toward the OPEB issue.

In response to Mr. Tindal's question about the potential to find cost savings through the changes in health care plan design or other policy changes, Mr. Murray said the town budget was 90 percent complete and that it represented diminished services and included no new personnel.

Mr. Evans said that while it was not yet resolved how much of the health insurance reserve will be available, it should be understood that it will support both town and school budgets to the extent costs are higher than premiums and could be considered reserve use.

Referring to a handout from Mr. Murray for unsettled budget items including the Nursing Service, MinuteVan and the Lower Fields project, Mrs. Clifford asked if there were other potential moving numbers. Mr. Murray said there was borrowing under consideration that could result in additional \$30K in FY13.

Mr. Noone said he was more comfortable with the \$1 million use of reserves until there was additional solid budget information.

Mr. Seward preferred the \$1 million in reserve use, but without knowing the budgets felt the \$1.5 million was workable and would reluctantly support the motion.

Mr. Tindal commented that the message needs to be made clear and that there should be no expectation that the Committee's attitude about spending reserves is cavalier.

Mr. Brandon commented that the information generated from the model confirms his feeling that reserve use should be restricted as much as possible.

After further discussion confirming that E&D spending by the Regional School District would be included in the total reserve use, the Chair called for a vote. The motion was approved with six ayes (Ashton, Clifford, Evans, Knibbe, Seward, Tindal) and two nays (Brandon and Noone).

The Chair asked the Clerk to compile the changes agreed to by the Committee so that the Draft Point of View could be provided to the Board of Selectmen and School Committee prior to the ALG meeting on December 8.

The Chair recognized Mr. Noone who moved the Finance Committee adopt the model prepared by the Long Range Financial Forecast Subcommittee as presented. Mrs. Ashton seconded the motion, which was adopted without objection.

Mr. Noone subsequently moved that the Finance Committee recommend to the Board of Selectmen and the School Committees their adoption of the draft Long Range Financial Forecast as a tool to model decisions for long range planning. Mrs. Ashton seconded the motion which was unanimously adopted.

At 9:40 pm, Mr. Brandon moved adjournment, seconded by Mr. Noone. The motion was adopted without objection.

Respectfully Submitted,

Patricia Clifford, Clerk