

Minutes – Acton Finance Committee
December 16, 2008, 7:30 p.m.
Town Hall – Room 204

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 16, 2008 to review various matters.

Members present for the meeting: Steve Noone, Herman Kabakoff, Mary Ann Ashton, Pat Clifford, Pat Easterly, Bob Evans, Bill Mullin, Kent Sharp, Doug Tindal

Others Present: Jo-Ann Berry, Bob Hertz, Sharon Smith McManus, Dick Calandrella, Charlie Kadlec, Michael Coppolino, Xuan Kong

Chairman Steve Noone called the meeting to order and offered an overview of the agenda and a preview of upcoming meetings. There was no public participation offered.

Approval of Minutes

Mary Ann Ashton presented minutes from the December 2, 2008 meeting. Bill Mullin moved, and Pat Clifford seconded. Minutes were approved unanimously.

Quarterly Update for Town

Chairman Noone introduced Town Manager Steve Ledoux and Finance Director Steve Barrett, who presented results of the first quarter of FY 09 for the town. Mr. Barrett said that general fund revenues remain strong; 25 percent was collected in the first quarter, as expected. He detailed the available balances of the Enterprise funds as shown in the attached presentation.

- Nursing fund – shows \$71,000 loss in first quarter. Manager and staff are working to determine causes and corrections of this deficit.
- NESWC Fund – revenues represents about 2/3 of revenue from sticker sales. Expenses of \$750K have already been taken out as authorized by ATM. Shows loss of \$497K.
- COA Van fund – includes \$64,107 taxation subsidy from ATM; has consistently needed subsidy each of the last few years.
- Septage fund – shows loss of \$16,120, but the bulk of the revenue is still to come in on this fund; ties out to similar pattern from last year.
- Sewer fund – short because of WR Grace not paying all of the betterments. Revenue includes \$124K of receipts reserved for future debt service.
- Snow and ice update – spent \$7,432 to date. \$425,671 budgeted – expenses from previous week's storm being quantified and submitted to FEMA

Fincom members asked questions and commented on the update. Herman Kabakoff said that the original quarterly report bylaw required other data to be provided. He asked whether the financial information was going to be posted on the website, and Mr. Barrett said that is was in the next several days. Mr. Mullin asked about the WR Grace settlement and what effect that would have on the sewer fund; Mr. Barrett said the settlement was after the first quarter so the impact would be shown at a later date. Ms. Clifford asked several questions about the market for recyclables, referencing a recent article from the New York Times. Mr. Barrett acknowledged that the entire market has evaporated, and that the town is continuing to work with vendors to sell the recyclable materials. In response to a question

from Kent Sharp about how general fund revenues compare with last year, Mr. Barrett said it was very similar. Motor vehicle excise tax typically bills in January/February, and those are not reflected yet.

Mr. Mullin asked about the impact on the expense side from the hiring freeze policy. Mr. Barrett said that the finance team has identified about \$500,000 from FY09 that will not be spent, as detailed by Mr. Ledoux in the previous night's presentation to the Board of Selectmen. Mr. Ledoux emphasized that there is a hiring freeze; any vacancy is frozen unless a department can make a compelling case. Three positions have been hired: Community Social Worker, lead van driver at COA, and patrolman. The town viewed the patrolman as essential because of the downturn in the economy, and the new hire will still have to go away for six-months training, so there will still be savings in that line item. Mr. Noone asked Mr. Ledoux to confirm that if all things were equal, the town would be underbudget by about \$500,000 this year, and Mr. Ledoux confirmed. Ms. Clifford asked Mr. Ledoux what would happen with the money held back from FY09 spending by May or June, and Mr. Ledoux said he hasn't really finalized his thoughts about that. He expected the governor will have to cut local aid in FY09 and state budget for FY10 will certainly have a big cut in local aid.

Mr. Noone clarified procedure for submitting questions about town budgets: questions should be funneled through Mr. Noone, who will then pass them along to the chairman of the Board of Selectmen.

Quarterly Update for Schools

Mary Ann Ashton and Pat Easterly provided spreadsheets from the School Committees' most recent meetings for the Acton Public Schools and Acton-Boxborough Regional Schools which show financial results year-to-date for FY09. In addition, Mrs. Ashton outlined that the schools have implemented a hiring freeze (\$90,000 of savings in FY09 from positions budgeted but not filled) and have requested that each principal freeze 5 percent of their spending from supplies and equipment categories. She also gave a brief overview of the budgets that were presented to the school committees on December 11, and an outline of future meetings of the School Committees regarding the budgets. Mr. Kabakoff asked a question about the increase in spending for Special Education tuitions relative to budget. Mrs. Ashton and Mrs. Easterly agreed that they would clarify the response with the school administration and committees.

ALG Report - Guidance to ALG Reps

Mr. Kabakoff reported on the December 15 ALG meeting. The current ALG spreadsheet shows a FY10 shortfall of \$1.5 million. At the meeting, Jonathan Chinitz, chairman of the AB Regional School Committee, suggested that half of this amount be mitigated through expense cuts and half mitigated through use of reserves. Mr. Noone added that many things have already changed during the development of the ALG spreadsheets for FY10. There is a problem in FY10 and a bigger problem in FY11. Everyone expects a change in state aid, but no one knows the magnitude for FY09 let alone beyond. The ALG consensus was that both town and schools should come back with level-service budgets in the 4-5 percent increase range. The current spreadsheet calls for spending \$2.3 million in reserves for FY10 but this assumption has not been discussed or agreed to. Mr. Evans said that 4.5 percent increases were unrealistic, and Ms. Clifford agreed. He requested that minutes from ALG meetings be sent directly to Fincom members as they become available, and Mr. Noone and Mr. Kabakoff agreed. Mr. Sharp said it was too soon to be talking about the amount of the shortfall, and thought that budgets should be tightened up as much as possible on the expense side first.

Mr. Mullin referred to the Point of View document and said that the volatility is very different than what we've ever seen and as Fincom members we need to be constantly vigilant. Reserves are there to level off the peaks and valleys of some of this unpredictability. He suggests that town and school take the things that are stable, and develop a responsible budget. This is different because of the overall difficult economic situation of people in town. He urged that we need to take a fresh look at labor costs. He suggests that Fincom maybe should offer several target scenarios, and see what effect these have on budgets; for example, if we kept all labor contracts at a 0 percent increase, or if we capped the reserve contribution at \$2 million. If we can't reduce the increase, the number of FTEs needs to be reduced.

Doug Tindal referred to several articles from today. Solutions are to reduce the increase to 0 or reduce headcount. He said that Fincom should get very tough regarding this point, and recommends that boards be talking about a 5 percent cut in state aid, for example, and understand the implications.

Mrs. Easterly agreed with much of what's been said. She is very concerned about the level of reserves we would use. As a committee Fincom has endorsed the use of reserves to smooth out volatility. She said that we're not seeing not up and down, but just down. As a committee we need to think about our message for ALG going forward regarding use of reserves.

Mr. Kabakoff asked what the guidance for ALG would be; he heard that we should go forward without use of reserves. Mr. Noone said he heard modest use of reserves. Mr. Mullin said that reducing reserve levels to zero in these budgetary would be catastrophic, but we need to be cautious. Labor costs are fixed, so what would be the service impacts of reduced revenues? Another approach might be to slow the rate of increase. Fincom needs to decide the acceptable level of risk.

SPED Task Force Report

Mr. Sharp introduced School Committee members Michael Coppelino and Xuan Kong, with whom he's worked on the Special Education Finance Task Force. The group presented slides (attached) of their summary findings and recommendations. The report found that the school districts had implemented some of the key recommendations from the previous report, including intervention at an early age and development of more in-district programs. This study resulted in nine recommendations to improve the efficiency and help to control costs for special education. The Finance Committee members praised the efforts of the group, asked several questions, and thanked the group for coming to present their findings. Committee members expressed the hope that the recommendations could be implemented and lead to reduced costs in this area.

LWV Report on Improving Town Meeting

Mrs. Ashton reported on a public meeting sponsored by the League of Women Voters-Acton Area to present their findings and recommendations of ways to improve attendance, participation, and effectiveness of the town meeting process. The report, which is available at the LWV website (www.lwv-aa.org), recommends that the Finance Committee present a fiscal overview on the first night of Annual Town Meeting, and that they take responsibility for preparing a "scorecard" which would summarize voted recommendations on warrant articles and the sources of funds for each article.

Committee Reports

BOS	12/15 – Town Manager presented his budget for FY10,
-----	---

	the BOS discussed the morning's ALG meeting, and also discussed the Group Insurance Commission (GIC).
Community Preservation Committee	12/11 – CPC has begun formal process of having applicants present ideas; last week was historic proposals. Bob Evans observed that he finds it very difficult to spend money on these types of projects when we're going to have to cut everything in sight. He is troubled by the Windsor Bldg and spending money to repair a building when we have no idea about what to do with it.
Sewer Action Committee	12/9 – Looking at whether it's feasible to do only a portion of the Flint/Tuttle/Spencer district. There is a feeling that some of the businesses in West Acton might like to expand but would need sewers. A study for \$29,500 could explore those ideas.

Mr. Sharp motioned to adjourn at 9:55 p.m. Mr. Kabakoff seconded and the committee unanimously approved.

Next Finance Committee Meetings: Jan 13, 27

ALG Jan 12

Town Budget Saturday Jan 10

Respectfully submitted,

Mary Ann Ashton, Clerk