

ALG Minutes, March 4, 2021, via Zoom, 8:30 AM

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. Public: David Martin, BOS and Dave Verdolino, finance director ABRSD.

Extra Information: Agenda, February Minutes, Town of Acton Multi-year financial model

I. Regular Business

1. Minutes

The minutes were accepted with the following correction: "Christine explained that the site she used to access Total Median Family Income no longer reports it, and instead reports Total Median Household Income. This change in reporting makes it appear that there has been a large drop in Median Income in Acton, but we cannot confirm that at this time."

II. Special Business

2. Budget FY 22

John: I presented the town's budget to the selectmen on Monday. Overall, it's a 2.5% increase over last year. There are lots of community initiatives that resulted in grants; the full capital plan will come later this month; this is the budget season kick-off.

Peter: I will be presenting the budget tonight at 6:30 PM. Overall the increase is 2.9%; operating increase is 2.67%; Boxboro's assessment is 4.64%; Acton's 2.97%.

We need to be careful we still do not have state aid information for April yet, not even the aid for next September. There are lots of unknowns: the federal stimulus numbers for this year and next. There will be budget changes going forward.

3. Multi-year plan

Steve B: There have been some big changes in the plan as we have added the new numbers for the Town budget and changes in the assessments. Last meeting, we were dealing with a \$916K deficit; we are now down to \$220, 987. The school assessment was reduced by \$183K and the increase is only 2.97%. On the town side the budget came in with a \$460K decrease which makes it \$459k to the positive side. The Minuteman assessment came in at \$2K decrease. We reconciled the tax rate to the positive. The increase for FY 21 is \$713; FY 22 is now down to \$467; FY 23 is \$390, and FY 24 is \$323. In the outer years we see the spending increase to be around 3.75%; with the town coming in lower at 3%.

We are working on FY 24 when there will be no MSBA; the Town's debt payment will be \$1.4m less. We need to work through the numbers and see the different impacts. Now we have the \$961K reduced to \$220K.

Bart asked for questions.

Christi: The schools have a 2.9% increase; does the town's increase include the North Acton Fire station?

John: We are still looking at the new growth numbers and keeping the tax to the max is part of the reduction.

JP: we need a discussion on whether we increase the levy limit or stay where we are.

Bart: are you talking about a new proposal? When should we have this conversation?

JP: Next Thursday we could finish but have the preliminary discussion today.

Marie: We now have \$93K capacity in the tax limit?

SB: Yes, there is a \$93K capacity; in FY 21 there will be \$41K of untaxed levy capacity.

JP: Is the sense of the group that we need to go to the max where we could get another \$100K or. Not going to the levy capacity cuts about \$90K---it's enough to discuss perhaps not currently.

Christi: The FC has not discussed this perhaps we can discuss it on Tuesday and then come back here.

Bart: there is a tradition of spending the most time discussing the smallest numbers. What advice will you give the FC?

JP: if we were to elect to go to the max there would be more pressure on the entities' budgets. With a lower base, there will be a favorable impact on the future. I'd like to see a little bit of room and then look at the consequences.

Marie: this is great news; congratulations to the town on their good budget. We now down to @220K deficit what are our options and is the \$93K part of the solution?

Christine: the town and schools worked hard to keep their budgets low but there does not seem agreement on the recommendations for closing the gap. The FC has the ALG use of \$1.15m from reserves and still we are left with the \$220K; we want to stay above the 3% floor; we can use \$368K from free cash and use \$703K from the stabilization fund to close the gap.

Bart: is this the time to talk about this?

Marie: I think we need to talk it through.

JP: we can talk about further reductions (in the school budget)

John: we need to see this laid out; you are using \$703K from free cash and \$667 from stabilization?

Christine: \$667K from free cash.

Christi: Most of the COVID expenses we got from the state.

John: we did our best but there were some that were not eligible.

Christi: I think there may be a bubble for the COVID expenses.

John: So, I fully understand your proposal to cover the \$220K gap; more free cash/stabilization fund or budget reductions?

Christi: FC would like to see more budget reductions; we are concerned about a COVID bubble; but also want to see the 3% floor maintained.

JP: that may mean extreme drain on reserves. There are six pots of money in different places from John's perspective FC/stabilization and the school's capital funds.

John: generally, the stabilization fund is used for capital costs; its goal is to reduce the use of free cash and take the costs out of the operating budgets.

Christi: FC sees the advantages of the stabilization fund---the town has control over the spending and it needs to be reimbursed once it's spent.

Peter: my position is similar to John's. We have capital stabilization funds and a transportation stabilization fund. We created those to be transparent 1. For unanticipated capital costs and 2. In lean times the stabilization fund can be used in modest amounts for the budget.

E&D is similar to Free Cash and there are always questions as to how it should be used. When we regionalized our E&D was low and since then we have rebuilt it and it turned out to benefit everyone when we went out for bonding. We continue to tighten the budget—we also have turnbacks, but we don't want to have turnbacks which deplete personnel.

JP: turn backs are another unknown I'm curious on the town's number or starting position.

John: We are just in the first half of expenses we will not have any idea before we get to the 3rd quarter.

Marie: the FC policy is interesting you are proposing a 3% floor, \$0 turn backs and take a significant amount, from E&D an increase of \$1.1m. What you're saying in 3-5 years using X dollars and no turnbacks you'll end up with high reserve numbers.

Christi: the floor is 3% but the ceiling is 5% so free cash won't be growing. In a tough year we'd feel comfortable to go below the 3%.

JP: I'd like to see a table with the current reserve level with the minimum expected turnback and then the maximum turnback. It would be a nice box showing the minimums and maximums and if it's not possible to say for sure, put in numbers for markers.

Bart: Marie and Steve, is that doable?

SB: some of that is already in the change tabs

John: we can do one end; the other will be more challenging.

Christine: what's the use of knowing the range when it's one year behind. There are two buckets: Free cash and stabilization.

There was a general discussion on the use of the stabilization fund to fill in for a budget shortfall. John pointed out that it would need a 2/3 vote to release funds from the fund and he was not sure if it didn't take a 2/3 vote to put money in. John cited the problem of having two different types of votes just to pass the operating budget and he was concerned that the meeting might not approve the 2/3 portion.

Christi asked that John meet again with the FC to discuss the use of the stabilization fund; the probable COVID bubble.

Dean: I'm opposed to dipping into the stabilization fund. It was set up for capital programs and not for operating budget shortfalls. I would not support the use of the fund in that manner. The FC must come up with some other solution. It's a high bar to get a 2/3 vote at ATM.

John: Using the stabilization fund would be a policy direction. We need to see what all the numbers look like and see if there are other ways to resolve the deficit.

Bart: Where are we now?

John: we are at mid-budget; we are still developing the pandemic budget. We have things like the River Street dam, and we are looking into a grant for help, but we will still have about \$1m left and that would be a perfect use of the stabilization fund.

Marie: I think the two funds are different enough that using the funds should not get confused.

It was agreed that John would meet with the FinCom and go over the stabilization fund, its voted uses and how to get money from the fund. He will also discuss the pending targets for the operating budgets and possible areas to reduce expenses.

4. Public

David Martin: For me, the stabilization fund is for large capital expenses—unforeseen expenses; it's like a lay away plan or a rainy-day fund. It's not something that you don't spend unless it's mandatory. I think the range for the use of free cash is too narrow. When turnbacks can range between 1%-.05% it's hard to stay within this range. We need to discuss turnbacks but also changing the range to something like 2.5% to 5.5%. We can use a fall town meeting to replenish free cash from the stabilization fund.

Bart asked if this discussion needed to be put on the agenda.

There was no agreement/ Next meeting March 11th, 8:30 AM via Zoom

Adjourned 9:50

Ann Chang