

ALG Minutes, February 3, 2022, 7:30 AM Via Zoom

Present: Bart Wendell, facilitator; David Martin and Dean Charter, SB; John Petersen and Kyra Clark, SC; Christine Russell and Adam Nolde, FC; John Mangiaratti, Peter Light, Steve Barrett and Marie Altieri, Staff. Public: Dave Verdolino, Finance Director ABRSD and Charlie Kadlec.

I. Public comment

Charlie: How many children are in all-day kindergarten?

Peter: around 3-400.

Charlie: how many transition to all-day and how many pay tuition?

Peter: 90-92%; 8-10% are in half-day; they can't afford all-day.

Charlie asked that Peter email him the numbers.

II. Regular Business

1. Minutes

Additional corrections were sent in: Minutes will be reviewed at next ALG meeting

III. New/Special Business

2. FY 22 Update

JM: Same as last week, nothing has changed.

SB: we received MVR early and it's a flat \$2.6m; FY 21 overall good news; we meet with the FC on 02/22. We have a minor positive in the meals tax—it looks like the trend is starting to turn.

Peter: we will be presenting the second quarter tonight. Essentially, we are a couple of \$100K to the positive; Regional transportation reimbursement is higher; earnings on investments are down; Dave has projected that it will be flat.

3. FY 23

JM: we are still in the process working on the budget which has to be given to the FC 60 days before the start of Town Meeting which is early March. We are keeping close track of expenses in prep for next year.

Peter: We are working on the budget with the SC; there are still some changes in the numbers; we should have more definite detail on Feb.17 about the budget.

Bart: anyone on the FC want to talk about FY 23?

JP: reflecting on the school budget on the longer-term transition to get back to normal; FY 23 the work of the schools is to give lots of student support. The budgetary decisions show that the schools need additional support; the pandemic has touched everyone but the impact on each of us has been different for schools and municipal services; we need \$500K for extended day and Community Ed---the impact has been enormous; the impact has not been similar but greater for the schools than the town.

John M: the town departments went to great efforts to get through the pandemic; they did great work and the organization needs to recognize that.

4. ARPA funding

John: we got \$7 m; john reiterated the process the select board went thorough to make the determinations on the spending of the funds. He noted that monies were given to the school which had yet to be spent.

Peter noted that the original Ask from the district was for \$2.6m but due to procedural matters spending did not fit into the federal spending categories. Since these categories have changed, the district has gone back to see what's changed. The input will be sent over tomorrow (after the SC meeting tonight)

Bart: the question now is there to be a reallocation of ARPA funds?

David: is that really the question. We need to see how the district has spent the money. I'm hesitant to spend more than the \$1.5m allocated. It's not prudent to spend all the funds in one year. There will be other programs in FY 24 and we don't want to spend AEPA on operating costs.

The discussion between Peter and David continued as to what funds were to spend in which year and what has already been spent.

Bart: do we have any agreement as to what FY we are talking about?

David: we know in FY 24 there will be expenses that we will want to cover with ARPA funds.

JP: there is going to be a large increase in HIT. If we were to go back in time, it's probable that we'd guide the trust in a different manner. I think we should go back and look now and have more discussion on the ARPA fund disbursement.

Adam: \$1m was for FY 22; \$500K for FY 24

Peter: the budget is tough; we see what's available for FY 22 but we're also looking at FY 23 & 24. The SC meets tonight.

Bart: Do I hear that where we sit now is that the school committee will do more work and be more specific; the town sees it as too soon to make changes [in the decision made on the uses of the ARPA funds]

JM: we will review the decision the board made in October when the district provides more information, we will consider our decision.

Bart: The SD is not asking for changes in FY 22 but for FY 23---anything else?

JP: it should be clear that our original ask was for \$2.6m. Now there are different rules and a different request; we need to take a step back and revisit the decision on the PSFAF issue. The AWD is an independent entity capable of raising its own revenue.

David: these things are a balancing act. We have PSFAS in the water, the money will lessen the impact on the infrastructure. The AWD has not settled on what it wants; we are in discussions; no money has been expended.

Christine: we have ARPA related costs of \$311K for Covid related expenses.

After the rules changed; we can generate long lists of needs but until we get specifics, we can keep on going; we need specifics.

Bart: for continuity we can say that we are waiting for details; they will come next meeting?

Marie: we can work on this and in a week bring forward a plan that the SC agrees to. The \$311K amount for one year is a concern since we lost \$1.8m in the fund balances. If we could put that into the budget it would be awesome but it's going to take a couple of years to get it back.

Kyra: we will have a robust discussion (tonight) and we know what we asked for last fall; the number hasn't changed--\$2.6m; we need to know what we can do

Dean: I think we are looking for the information on what has been spent and what you think you need and how that will be spent. We noted that the AWD serves 95% of Acton residents; far more than use the schools.

David: no one has said we will not be flexible; but we are not going to redo the whole process. You did a \$2.6m ask but the list is no longer current. Give us a list for FY 24 and we will work on it.

Bart: the SD feels strongly that they need more money; the SB needs a new list to consider the asks.

David \$900K ARPA---not through the town

Peter: we did get \$900K over all; \$600K was from the operating budget; we are hoping FEMA will cover some of the \$2m loss from the revolving fund. The money coming from the Feds is based on economic need; 1/5th of our students qualify but Worcester got 80 times our allocation.

There was a discussion on the inequality of the federal programs.

Bart: the next step for the ALG is to have the SD work on their asking list.

There was further discussion on having the SB reconsider the AWD request which they declined to do.

David: we are being asked for two different things: monies needed for this year and FY 24 requests which are not urgent as yet.

Bart: are we all talking about the same thing?

JM: we have a \$1.7m deficit that we need to address for this year. We have set aside some ARPA money to be allocated for next year. We need to focus on FY 23.

Christine: it's the FC position that not all the ARPA funds should be spent this year. It's to be a two-tiered process with money left over. Right now, we don't know the number for the SD ask; our next step will come when we get the school's numbers.

Bart: so, we will leave it for now.

5. Multi-year model

Steve B: no changes from last session; we still have the \$1.7m deficit; FY 23 \$0 tax levy capacity; use of \$1m in town reserves; E&D (\$1.2M?)

Marie agreed that was the use of E&D funds.

JP: the Minuteman assessment is a large factor; do we now have a high degree of confidence in their numbers?

SB: 36% is greater than before.

JP: the Governor's budget is out—any changes in state aid?

SB: we are finishing up our review; there may be \$50K increase; we should know by the 17th.

Marie: there is no material in state aid to the schools in the Governor's budget; we are still getting only \$30/pupil.

JP: Kyra has been active in trying to get the legislature to give us more money.

Kyra: I don't have much hope that we will be successful for this year.

6. Reserve Use

JM: over the past three years we have tried to reduce the use of reserves; it's now been tied closely to capital investment.

Peter: it's a similar picture for the schools. We have taken E&D from a low of \$200K and built it up; we are constrained by law on the percentage of E&D we can keep in relation to our budget; we have a hard cap of 5%.

JP: we expect to use \$200K; trouble is we need to balance budget to budget; actuals to actuals. It matters in the end if we use real numbers; say 1% of free cash / 1% of E&D.

But we don't know how much is coming in and how to try to grow the reserves.

Christine: rather than spending down, we'd rather there be a pause and spend over the 3% floor. We worry that we not go below what is basically a prudent reserve floor.

What's in the overlay budget?

SB: every year when we set the tax rate, we have to set aside money to cover bad debt; evaluation exemptions and cover the changes in the levy. This fund is expended by the Board of Assessors and they tell us what is in the fund and what can be termed as surplus. They have not released any money as yet.

Christine: the fund maybe \$0 now but could they release money later.

SB: the overlay surplus account closes into free cash

Christine: what could the number be?

SB: the balance could be \$1.5m; the DOR has changed and Brian is urging caution; the outlay may exceed the \$150K. Some account from years past may be closed; at this point it's an unknown.

Adam: we are starting to look closely at free cash spending and the spread of the 3-5% window supported by DOR and FC. This 2% window is a small adjustment; when it was higher before, it made sense to spend more; now we have a very small margin for error.

Christine: the FC needs to know where the money to fill the gap will come from

Kyra: the SC has a shorter time line; we have to vote the budget in 2-4 weeks; direction would be helpful.

David: in my opinion first spend E&D and then free cash. I'm not comfortable taking the free cash to the 3% floor; we have used it as a contingency for both the town and

schools. I am concerned about the structural problem of using free cash to fill the gaps; we have no assurance that the problem will not be greater next year and we will be digging a deeper hole. To avoid a crisis next year, we need to make some structural changes. In the past we have had to cannibalize the town to support the schools; that was in a time of increasing enrollment; now we are in a time of decreasing enrollment; decreasing class sizes is not sustainable.

Adam: to answer Kyra, the FC expects the schools to balance their budget; 2. Not spend free cash to the floor so that there will be \$0 to plug any unexpected budget increases.

Peter: there is a structural problem –the idea of having 28 students in a class has historically been a bad idea. We’ve tried to keep it 24/25 in the elementary schools and have added FTEs to maintain that level. In the high school we have added 3 FTEs this year and have discussed an increase in class size to make the budget more sustainable but we have heard from the community that they feel they are getting value for their money.

Kyra: not all FTEs and enrollment numbers are equal. We have to have SPED and ESL teachers in order to keep students in the district and not having them leave and taking their money with them. Yes, enrollment numbers are going down but the student needs are different.

Bart: the SC asked for direction—have you gotten that?

Kyra: I have heard direction.

Marie: the reason for the ALG which has been going on for more than 20 years is so that the three boards can collaborate and develop a solution. I don’t like to hear that those on the town feel that the schools have “cannibalized” the budget.

Bart: In the 35 years I’ve been on the ALG, this is the point where everything goes south; where people make assumptions and there is bitterness on all sides. This is why the ALG was formed---to work out these problems in a collaborative manner---otherwise it will not work I would like to suggest that we don’t think about what’s happened but look forward on how to fix what will happen if we do not collaborate.

There ensued a general discussion for suggestions as to where savings could possibly be made but nothing was agreed to. The problem of the \$1.7m deficit was highlighted again.

Bart asked if the group was considering an operating override; not this year but perhaps within the next 3-4 years.

David apologized for using the word “cannibalize” but reiterated his frustration that if the structural problems were not addressed that the ALG would be digging a deeper hole for next year.

Bart said that personal opinions were not held against members.

7. Agenda, Adjournment and next meeting

There seemed to be general agreement that there was not to be an operating override. Marie noted that the model needed to show a balanced budget so the reserve use needed to be a big part of the next agenda. This the most important thing that needs to get done.

There was a discussion as to when the problems of the deficit could be solved and how soon the schools could come up with a budget changes and if another meeting needed to be scheduled. The next meeting is scheduled for the 02/17.

It was agreed that instead of Thursday Feb. 17 the meeting would be held on Friday the 18th at a time to be determined by John and Peter.

Adjourned 9:10

Ann Chang

At present there is a meeting scheduled for March 10.