

ALG Minutes, November 13, 2023, 7:30 AM, room 204 and Zoom.

Present: Bart Wendell, facilitator; David Martin and Jim Snyder-Grant, SB; Tori Campbell and Rebecca Wilson, SC; Christi Andersen and Jason Cole (Zoom), FC; John Mangiaratti, Peter Light, and Sheri Mathews staff. Audience: Ellie Anderson, finance, C.J. Carroll, asst. assessor, Fran Arsenault, SB, Tom Beals, reporter. Extra Info/ documents: agenda, November 6 minutes and updated ALG Model.

I. Regular business

1. Public comment

Tom Beals introduced himself as a reporter for Acton's fledgling local newspaper, indicated his experience with trying to follow the ALG model/workbook and suggested that they might be distributed to a selected list of involved parties.

Charlie Kadlec (virtual) asked that information on the tax bill impacts be included in the version posted to the Town's website.

2. Approve Meeting Minutes

Because all of the ALG members had not reviewed them, disposition of the Minutes for November 6 meeting was deferred.

II. New/Special Business

3. Update on Health Insurance Trust

John Mangiaratti attended November 9th Health Insurance Trust meeting. HIT decided to send official written notification to the Town and School District of a rate increase of 22.8 percent on all active accounts effective January 1, 2024. The Trust also decided to ask for a loan from the operating entities of approximately \$2 million to maintain solvency until implementation of the rate increase.

Peter Light explained that the town and school administrations were working to define the proportionate breakdown of the total; currently the split was estimated at 77.5 percent for the schools and the remainder for the Town. The school portion breaks down to about \$1.5 million for the employer and \$400,000 for the employees.

Jim Snyder-Grant reported that the letter portrays the \$2 million as a loan; the rate increases are calculated to include loan repayment.

Rebecca Wilson asked if employees would be reimbursed in any way; answer no.

Christi Andersen confirmed that HIT expected to repay the loan by July 1, 2026; answer yes.

4. FY24 Update

John: DOR certified revenue at a slightly higher amount than expected, mostly attributed to growth.

Peter: Nothing changed since previous meeting; working to identify sources for the \$2.7 million needed.

5. FY25 Preliminary Budget Projections

Peter: Level Service Budget presented were projections only, keeping in mind an Acton assessment of less than 3 percent and the level of service deemed appropriate by the School Committee.

John: The projection in the model represents the current best estimate; the largest variable is the capital budget; the model shows more than a 9 percent increase in costs and 9.85 percent including debt. As SB and SC advice comes in, the model will be fine-tuned, and we will determine “how to go forward.”

Both entities emphasized the FY25 budget process is in the early stages; more clarity will develop as analysis continues.

6. Review of Multi-Year Financial Model

John: The model has changed significantly since the last ALG Meeting (Nov. 6). Added the Health Insurance changes; includes tax rate information; changed how the front page works; added tabs for HIT assessment and showing health insurance increases in FY24 budget. Reserve tab shows projections for Town and schools.

Jason Cole: Asked for several clarifications 1) cell E35 which John agreed to modify to make information less confusing; 2) Capital Plan – why did the number change from previous version of the model; John said the current number is the best estimate and was included as a placeholder. It is subject to adjustment. 3) New Growth the real numbers for FY23 and FY24 are higher than planned – should the \$700K number in forecast years be increased? 4) Minuteman Debt – should this line item be increased in forecast years?

John: Town will continue to work to meet budgets with the revenues available plus grants; the budget request for level services will be challenged by increases for personnel (\$800K), debt services (\$500K), pension and OPEB (\$230K); health insurance (\$380K) and maintenance costs (\$440K).

Christi: Asked why the FY23 recap number in the model differs from the information published in the Annual Town Meeting Warrant. John/staff will review and provide an answer. She also confirmed that the Health Insurance tab covered the Town and requested similar information from the school district.

Tori Campbell: Asked about communication with Minuteman to understand the need for controls on spending. Christi indicated she had scheduled a meeting with Pam Nourse (Acton's Minuteman SC representative) to emphasize that Acton's financial picture requires spending constraint.

7. Discuss Potential Need for Operational Override

Christi: The Finance committee wants to know how much of the proposal is one time and how much is structural; FinCom needs to dig in and identify how we get through the next year and what can be fixed.

Tori described an analysis she prepared for the SC Budget Subcommittee comparing the district's financial and related data available through DESE with a group of peer communities. She concluded: while ABRSD "has done a lot with what is available" there is a gap and suggested as a starting point a one-time request of \$6-7 million for operating expense. In response to a request from Jim she agreed to share her research after presenting it to the SC Budget Subcommittee.

Jim: the Select Board discussed the need for an override and will accept the recommendation of the ALG reps.

Bart Wendell: Are you speaking for the Committee?

Tori: Not Yet

Rebecca: characterized the operating override as "inevitable" this year or next year

Jim resumed: there was general agreement among the SB; his intuition is that a schools-only request would be less likely to pass and that an override should include a town request as well: the budget "does not look good" with health insurance and inflation pressures. It is easier to compare school districts with data; Town deals with safety issues ranging from sidewalks and intersections to police and fire needs. The Town has been absorbing costs and getting less and less of the revenue; our needs are as strong and large as those of the school district.

David Martin: The Town's needs are manifested in different ways. The structural problem is exacerbated by the health insurance problem and we are "at a tipping point". The structural problems squeeze maintenance and the work "ebbs and flows" to accommodate available funding.

Jason: The Finance committee recognizes the budgets are unsustainable; not enough has been done to "bend that cost curve." The \$9-10 million hole doesn't directly tell the

taxpayers that this is the year. A cash flow problem with the HIT does not mean that there must be an override this year. FinCom sets a reserve target to assure that funds are available to resolve this type of problem without going to the voters.

Tori: Cannot ignore 8 percent inflation; some things are unique.

Bart: It appears that there is support for an override with a working assumption of sometime in the next two years. SC and SB agreed, FinCom abstained indicating they need more data for discussion at their November 14th meeting.

Tori: What are the pain points without an override?

John: \$2.8 million in fixed costs that have to be met; capital will likely be put on hold; too early in budget cycle to predict operational impact.

Peter: too early to specify as administration is still exploring areas to bring down costs; the situation with capital is similar to Town's outlook. The only remaining lever is personnel.

David: We cannot solve the health insurance crisis in FY25. What is the order of magnitude for the impact on the schools?

Peter: We will explore all options and evaluate the complexities of unemployment costs vs. health insurance and the longevity of employment (seniority). Layoffs could range from 70 to 90 total staff.

David: It is difficult to recover from one year of lower budgets and the school impact is more acute.

Christi: We have had letters from Seniors and others on fixed incomes concerned about a large tax increase.

Tori: Arlington passed an override with provisions to aid Seniors. In response to Bart's request, Tori agreed to share her data (pending SC approval) within a day.

Jim: Many of the Town's programs for economic relief for Seniors are undersubscribed.

Christi: We should also consider rent relief programs.

Bart: How will a committee to support an override emerge?

Jim: We could identify non-elected people to pull together a group including former SB members.

Christi: Agree with non-elected approach; involve Moderator possibly.

David: Not a sanctioned committee; self-formed.

Christi: Optically, it should not be all former SB.

8. Approve Meeting Schedule

Bart proposed the next meeting for November 20 at 7:30 AM in Room 204. All entities agreed. At that meeting the group will decide whether to recommend going forward with an operating override to their respective Boards.

John will upload a refined model to Extra Information later in the day pending receipt of health insurance data from the school district.

9. Adjourn

Meeting adjourned at 9:05 AM.

Pat Clifford