

ALG Minutes, November, 20, 2023, Room 204, Zoom

Present: Bart Wendell, facilitator; David Martin & Jim Snyder-Grant, SB; Christi Andersen & Jason Cole, FC; Tori Campbell & Rebekah Wilson, SC; John Mangiaratti, Peter Light, Mary Ann Fleckner, Sherri Mathew's, Staff. Audience: Ellie Anderson, finance director, C. J. Carroll, asst. assessor, Tom Beals, reporter.

Extra info/ documents: Agenda, minutes from November 6 and 13th, ALG financial plan, operational funding sources ATM warrant v. ALG plan tax recap, ALG plan changes, E&D , circuit breaker and capital stabilization funding sheet, town & district HIT costs, draft tax impacts, annual inflation rate (FinCom report)

I. Regular business

I. Public comment:

Charlie Kadlec (on zoom) I've been trying to understand the proposed override— where are the numbers— where are the details? Last time we looked at the ALG plan there was a \$9.8M hole for FY 25— where did those numbers come from? We seem to have a current FY 24 problem not FY 25. The out of district SPED discussion of a few weeks ago had few details; the major costs seem to be coming from the schools— the union contracts have been signed but we don't know what the impact will be for this year. I don't see how we can have a reasonable discussion of the information is not available.

Mike Gowing (zoom) I agree with Charlie. We do not have the information to make any progress two points: when will the current financials be certified by the state? ; do we know if the HIT claims are a one- time cost or are they recurring ?

John: we expect free cash certification before the end of the month

Peter: E&D has been certified at \$2.77M. HIT is a moving target. Steve Noone said the claims seem to have gone down; HIT is \$2M for FY 24. There will be a rate increase in FY 25.

2. Minutes of November 6th and 13th ok'd.

II. Special business

3. Update HIT

John: over the weekend we went over the HIT claims , some claims are actually slowing down. It's too early to determine the monetary impact. We can depend on an increase within the current year and another in FY 25.

Christi: do we have a clear idea if we need a STM to appropriate the money?

John: we will be discussing the options for funding tonight [at the SB meeting]

Peter: we will increase E&D use for FY 24. The committee has to vote on that and then inform the two select boards.

4. FY 24 update

John: there have not been a lot of changes

Peter: In the first quarter report we see \$350K to the good in revenue, mostly from interest income. On the expense side, it's too early to be cutting projects.

5. FY 25 preliminary

Preliminary projects are unchanged from last week: we have an \$8.5-\$9M gap. Reasons: added an additional SPED staff person, big increase in substitute budget costs; we are trying to reduce vacancy factor; we have a structural problem.

The big drivers are: HIT 22% rate increase which needs to get into the budget— it's about \$3M.

SPED: state has granted a 14% increase for this year and a 5% increase for next. The problem is the increase in the out of district school costs. The SPED increases are covered in part by the circuit breaker, but it's a fraction . And it takes time to catch up. We will not know until May how much we will get. The SPED and the HIT increases are around \$5M for next year.

John: I will present the SB with the capital plan tonight. There is Lao a 10-year facilities study. These will help with the budget process which will be presented the third week of December. Cost drivers are: HIT, personnel, debt service. We also have equipment maintenance increases; pension increases of 5-6%; that's \$2.8M alone. We are trying to come up:with ways to absorb the fixed costs.we hope to come up with a balanced budget.

There is a significant increase in demand for service needs ; some fixed costs can't be reduced without a change in services. Right now we have a lot of work to try to balance the budget.

Christi: I heard the state will not fully fund the CPA; when do you expect to know about the circuit breaker funds?

John: when we set the budget, we will know what level of services to expect.

Peter: we should get the prelims numbers in Jan.

John noted that he'd not heard anything about the CpA funds. Christi said she read it in MMA.

6. Review model

John: there have been some specific changes. We added a HIT tab for the school district; we adjusted new growth— taking it out over a 7 year average trying not to overestimate. We've put in \$900K for new growth 23% increase in HIT; we rounded up local receipts so the percentage rows are larger; the gray part shows the percentage changes.

HIT is below net position; we still need to deal with the assessment. Minuteman assessment numbers look to be less than is currently in the plan — we'll wait on that. We also added a tax impact tab, 5-year averages and longer 7- year averages; now based on rolling average numbers. All of this is now in docu- share.

Jim: it's clear when we get longer term, there is no consensus on the projected changes from either the schools or the town. I'm not comfortable with the discrepancies on the town side.

Bart: this is just one ALG meeting— it's always happened.

7. Override

Bart : it's time to make a decision on the proposal

Christi: the FC recognizes the need for an override— we want it for multiple years so it will take care of future increases. But we need to keep an eye on taxpayers ability to pay. It's approximately a \$400 raise. The prop 2.5 plus growth increase is \$400. If you plug in the current shortfall, the model says north of \$2,000 and the DOR override calculator says \$1.300 for a \$10M override. We need to cut services in the town and school model. The FC insists they be involved in holding the line on programs; we should look at our needs and not wants.

We have to recognize that there is a structural problem and we need to know how to address it.

Bart: we're happy to let Jason clarify the position

Jason: The FC has a sense of consternation of " why now aspect" we don't like the suddenness— level services seems not to be on the table.

There are three buckets: one- time money bucket—\$2M HIT plus— it was an unexpected shock.

I worked with Tori to get the school numbers.

On the town side there is a shortfall of personnel and equipment maintenance. We have a short- term cash flow which is the smallest part of an override.— these things should have been fixed in the past. You have to convince the FC(about the need for an override) and then the town[voters]

Bart: everyone else thinks we should go forward with an override: a minimal amount; specific number; money for the future.

Jason: if the override number will cover more than one years increases; we do not have to tax it all at once. There is an objection for fixing the structural problems in one year— it will be too great a shock to the taxpayers. Once the override is done; we need to conserve for multiple years.

Bart: the assumption then is to cover a multi-year increase?

Jason : personally, it should be for three years

Bart: so the proposal is for an override to cover three years

Jason: we need to do immediately cuts so we don't need another override in three years.

Bart: agreement?

David: I'd go further: 1. Whether or not we have an override. 2. How much 3. Apportion the money to the budgets for the first year. For the out years we have only 3% increases. The default position is 2.5% with new growth; use about half of what we get from the override the first year and the rest goes into untaxed levy.

Bart: is there agreement from the FC?

Christi: it's becoming an individual decision— we can't slash the budgets.

Jason: it's too early to say how the money will be apportioned the first year. The increase in the tax bill will give us some breathing room. I don't want 7% increases over the next three years.

Bart: what about the school committee?

Rebekah: the SC reached a consensus on having an override. We have not discussed the percentages or the cuts— not level service.

Tori: think of a graphic— no one really wants an override; but we'll consider asking. In review of the model, we have to have better indications of a break and warning. The budgets have been above 3%, coupled with inflation— we hit a red line things are changing in the base. We have to figure how to get back; we need indicators and warnings to recognize the coming need.

Bart: are you proposing a model change discussion now?

Tori: in the coming months; once we get this problem set.

David: we can do changes to the model in the future but not this year- not right now.

Tori: we need to review because the changes we're facing are permanent.

There was a discussion, led by Tori, about the types of changes that would be more predictive of the future costs and drivers. There was a sort of consensus that some changes need to be made.

David: we have to set the right numbers: we have a cash flow problem and don't have the reserves to cover it— this will upset the quality of services. The ballot numbers will cover the immediate pressures and change the baseline costs. Now we have a 22% increase; SPED increases that will have a multi- year impact. The usual 3% increase is no longer any good.

Bart: is there another number other than 3%?

John: we have service levels the community wants. People are asking for more and we do not have the personnel to do the necessary maintenance. If you want to set a model for the next years, you need to ask the people what they want.

There was another general discussion on how to get the predictive numbers for the cost drivers. There seemed to be an agreement that the increases in the HIT could not have been predicted.

Peter: I agree that a predictive model is important and I agree that we should look at the budget drivers and what part of those drivers is beyond the 3%. But we need to also look at what we decrease to keep at the 3%. Some of the drivers are long- term problems. We need to see which elements we can control and which we cannot. We need to be realistic about the costs of those drivers we cannot control.

Jim: we have a specific request— have an override, spreading impact over several years. A decision is made to change the ALG to reflect more realistic numbers.

David we have to decide on how much. I think there's a consensus on the override.

Bart: absolutely

Jason: I'm not convinced; as we come to the concept we have to have the smallest parameters as possible. One time funds and size. We need to take level services off the table— the municipal side needs to tone down to the smallest possible.

Jim: Friday we met and agreed on an override for this year. My concern is that we can't create a ballot — it's not the same as it was 20-30 years ago, we're fragmented and that just increase the cynicism.

There is a risk of it's not passing — it usually takes a whole year to communicate the need— it takes a lot of education

Christi: creating the A& B budgets will show the differences. We need to show the service level cuts; it will be horrible for the schools if it doesn't pass. I'm not sure of the impacts on the town.

Jason: a budget needs to be presented, not as an afterthought but what it will look like for the impacts. It's LATE.

Christi and Jason disagreed about the need for the override this year and not put off until next. Jason asked for a reckoning of the town budget much the same as he and Tori did for the school budget.

John: A/B budgets. Budget is due in Jan. That is a process in itself that will take a lot of time. We will do what ALG asks —even trying to get to 3% we will have trouble with a balance.

David: I think we have a consensus for an override— it's the amount that's in question.

Bart: make note, the ALG does an important job— even with the verbal fisticuffs; there seems to be an agreement to start working on a override. There seems to be no agreement on significant cuts.

David: we have a structural problem that has been foreseen in all the budget projections. To me that does not imply cutting from where we are. We could have made cuts 20 years ago during peak enrollments; we have cut the town budget to educate kids— the town has not recovered from some of these past cuts; DPW positions were lost and not replaced, maintenance has suffered. There is not an appetite to cut/town services to get an override passed. Some of these problems were foreseen; the issue is what do we do now?

There was a discussion on keeping the town budget and not have cuts because the loss of services in the past. David continued to insist that the override monies be allocated fairly— which he equated in no cuts to municipal services.

Tori noted that level services for the town was not the same as that for the schools— for the schools it would mean cuts.

Jason noted that the optics for the town were worse than that for the schools: cuts in the schools meant loss of faculty which has an immediate impact. Cuts on the town side may result in less maintenance but that's not as visible to the voters.

It was agreed that there would be a provisional budget before the next ALG meeting. The date Dec. 4 was suggested but then it was noted that all the participating entities had a lot of home work to do and the agreed date was December 11th.

Both John and Peter noted that even meeting on the 11th would present challenges for staff to get numbers.

However, it was agreed to meet December 11th, 7:30 AM in person and Zoom

Adjourned 9:10
Ann Chang