

Minutes – Acton Finance Committee
February 10, 2009, 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 February 10, 2009 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, Associate Member Maynard (Brandy) Brandon

Others Present: Jo-Ann Berry, Doré Hunter, Paulina Knibbe, Paul Hoff, Charlie Kadlec

Chairman Steve Noone called the meeting to order and offered an overview of the agenda and a preview of upcoming meetings. He stated that at the previous night's Board of Selectmen meeting Town Manager Steve Ledoux had announced that the deputy chief position had been unfrozen. The joint meeting of the Finance Committees (Acton and Boxborough) and the School Committees will begin on February 26 at 6:30 p.m.

Public Participation

None offered.

Approval of Minutes

Mary Ann Ashton presented minutes from the January 13, 2009 meeting. Herman Kabakoff moved, and Bill Mullin seconded. Minutes were approved, 8-0-1 (Easterly abstained).

Reserve Policy Vote

Pat Clifford presented the committee with several revisions to the previously discussed Reserve Policy. Mr. Mullin moved that the following Reserve Policy be adopted by the Finance Committee, and Kent Sharp seconded.

Acton Finance Committee
Reserve Policy

The Town of Acton retains reserves for the dual purposes of managing risk and supporting budgets in order to insure delivery of a consistent level of services as articulated by the elected Boards.

Reserve funds are accumulated from several sources, including (1) unrestricted fund balance, known as "Free Cash," (2) Acton-Boxborough Regional School Committee Excess & Deficiency (E&D) funds, (3) other revenue from one-time events, and (4) through the funding of Stabilization Funds. Reserves are replenished from these sources (including operations), and it should not be expected that any reserve funds would be raised directly from the tax levy. It is not the policy of the Town to tax citizens to support an artificially determined reserve level. Similarly, it should not be expected that core services would be diminished or employees laid off in order to maintain the reserve fund or a mandated level of reserves

In accordance with the Department of Revenue's guidelines, the Town of Acton accumulates its reserve funds as a prudent practice to provide the flexibility to augment the revenue stream when needed, to smooth out interruptions in service levels, or to take advantage of unanticipated

opportunities. Reserves may also be used to offset unexpected events, whether natural disasters or unanticipated and precipitous changes in revenue or expenses during the fiscal year. However, when revenue flow and the costs of delivering programmatic services are deemed to be in balance, it may be expected that any surfeit of reserves can be returned to the taxpayers in the form of a reduction in property taxes. Alternatively the reserve funds might be maintained to grow the fund balance for future needs.

The Finance Committee members continued their previous discussion of the proposed policy. Mr. Kabakoff said he had drafted a new policy but didn't send it to members. He reiterated that he wants the policy to be explicit about not using reserves for operations and contain a percentage level target. He said he was pleased to see that the reserve policy mentioned a stabilization fund. Doug Tindal said he believed there was a consensus among members about how low reserves should drop, which he thought was between 3 and 5 percent. However, he thought that most members do not want a hard and fast rule about maintaining a specific reserve amount, but believe that reserves should be used on a "judgment call" basis with some flexibility. He said he believed that this policy will survive many years into the future because it is flexible and will allow Fincom to do the job it needs to do. Mr. Kabakoff said that using reserves to fund the operating budget is building in a problem for the future, and noted that the 5 percent number is that recommended by the Department of Revenue. Bob Evans observed his experience with chairing Fincom and saying that if you vote for these budgets you are accepting an override for next year, and everyone at Town Meeting approved. Maybe the people in town aren't stuck on having a specific percentage of reserves to hold onto. Pat Easterly said that while she was sympathetic with Mr. Kabakoff's point of view, she agreed with Mr. Tindal that reserves should be prudently used to smooth out the ups and downs of revenues. Brandy Brandon said this policy does not seem substantially different than the way the town has been operating. In his opinion this policy doesn't have anything that is actionable, and is a tiger without teeth that imposes no discipline at all.

The Finance Committee voted to support the reserve policy 8-1 (Kabakoff votes no).

Mr. Noone agreed to circulate the final policy to the Board of Selectmen.

Town Budget Discussion, suggested changes

Chairman Noone asked for comments and questions about the information that the Finance Committee had received about the town budget at the Saturday budget workshop. He said that the Board of Selectmen will be invited back to the next meeting on February 24 for a budget hearing.

General Comments

Mr. Sharp said he was disappointed, as it felt like "business as usual." Mr. Kabakoff said he had been troubled the previous night by the announcement that the town was going ahead with the Deputy Chief position, and felt it should have been vetted with the Finance Committee first. Ms. Clifford said it was always a pleasure to hear from the department heads, but she was troubled that with all the talk about economic difficulties she did not see a budget she felt comfortable with that supported the "vulnerable citizens" served by the COA and the library. Mr. Mullin said

he saw lots of good news and leadership, particularly pointing to the memo from Bruce Stamski, Town Engineer. He urged the committee to stay away from the little things and focus on the big things. Mr. Noone felt that town staff should be commended for their presentations and time commitment, but he was troubled by some of the capital projects.

Capital Projects

Mr. Tindal felt that the space study was unnecessary, and thought that following on answers provided by Dean Charter on Saturday, that a decision could easily be made to move a couple department working groups into 468 Main Street. He suggested that later on, when the economy had improved, there would be sufficient time and resources to undertake a more thorough study. Mr. Kabakoff objected to the space study, as well as use of \$50,000 for a 275th birthday celebration for Acton. Mr. Evans was concerned about the fire engine, and quoted a previous consultant study which found that Acton was "equipment rich." He believes there should be a close look at what equipment we need to have, and maybe investigate sharing of equipment and leadership with other regional police and fire departments. Mr. Noone pointed out that if the engine were not purchased this year there would be enough money in the Ambulance Fund to pay for the 8 firefighters whose expenses were being moved there without a \$271,000 subsidy from the General Fund. Mrs. Easterly felt that capital expenditures should be reviewed carefully, and echoed that more work needed to be done to come up with the right set of choices.

Mr. Mullin said it seemed that the Finance Committee was not satisfied with the level of expenditures and perhaps we should reduce the level of reserves. Following further discussion, the committee agreed that Mr. Noone should communicate to the Board of Selectmen that the capital items need to be whittled down to eliminate items that are not essential and timely, and that the use of reserves should be reduced so that the total amount of reserves used is \$2 million. Ms. Clifford said that she is confident that the management can get this done on the town and school sides, and she does not want to tell them how to do it but would hope they would listen to some of the suggestions made by the Finance Committee.

ALG Report and discussion of assumptions for Multi Year Plan

Mr. Noone reported that at the Acton Leadership Group meeting there was discussion about the assumptions for FY11 and FY12. Mr. Noone and Mr. Kabakoff agreed to develop some assumptions that could be discussed by the Finance Committee and presented to the other boards for their discussion. Mr. Noone began by suggesting that state aid would be flat, and that there would be salary steps regardless of what assumption is made about increases in salary. Mary Ann Ashton suggested that Fincom should consider using a percent increase for expenses (e.g., 1, 2, 3 percent) rather than trying to spell out specific factors in the expense increases. Mrs. Easterly said that she could support expense side increases, but would assume that state aid might not stay flat; she pointed to projections that state revenues could go down \$1 billion per year each of the next several years. Mr. Evans said he would do nothing about FY12 as there is too much volatility and uncertainty. Mr. Tindal said that Fincom should have very conservative numbers on public display, and agreed with Mrs. Easterly's concern about state aid.

Mr. Noone asked what assumptions should be made about the use of reserves. Mr. Mullin expressed his concern about the reliability of a three-year plan; he agreed with Mr. Evans to

leave FY12 out and to use a range. Mr. Noone pointed out that dire forecasts might encourage the political bodies to seriously consider cost-saving measures. Mr. Mullin suggested assuming 2-1/2 percent increases for property tax, 2 percent for expenses, and state aid trending negatively. Ms. Clifford encouraged that opportunities be considered part of revenue to foster the entrepreneurial management of the town and schools.

Discuss Citizen Feedback and next steps

Mr. Noone discussed the handouts summarizing the cost-saving ideas received from the public and the committee discussed how to proceed. The committee agreed that Mr. Noone and Mr. Kabakoff should take the lists to Superintendent Bill Ryan and Town Manager Steve Ledoux to get their feedback, and then the committee members will have a chance to take responsibility for investigating the ideas to qualify and quantify them and decide which ideas are worth pursuing.

Assign Warrant Articles

Mr. Noone distributed a list of the warrant articles and the Finance Committee member assigned to each for Annual Town Meeting. Committee members were asked to contact Mr. Noone if they wanted to discuss their assignments. He expected there would be a draft warrant available the following week.

Mr. Sharp motioned to adjourn at 9:40 p.m. Mr. Kabakoff seconded, and the committee approved unanimously.

Respectfully submitted,

Mary Ann Ashton, Clerk

Next Finance Committee Meetings: February 24, March 3, March 10
School Budget Review, Thursday, February 26, 6:30 p.m.
ALG, February 27