

ALG Minutes February 26, 2015

Present: Bart Wendell, Facilitator; Mike Gowing & Katie Green, BoS; Mike Majors & Steve Noone, FC; Krista Rychlik & Dennis Bruce, SC; Steve Ledoux, Glen Brand, Steve Barrett & Marie Altieri, staff.

Audience: Janet Adachi, Peter Berry & Franny Osman, BoS; Lauren Rosenzweig-Morton, Asst. Facilitator; Brian McMullen & Clare Jeannotte, staff; Charlie Kadlec.

Extra Info: Town of Acton Multi-year financial model

Minutes were accepted with corrections.

2. Update of FY 15 Revenues

SL: We spent out snow and ice budget by the second storm; I'm not sure now of the amount of the deficit. Local revenue receipts are up over the anticipated amount. We hit the motor vehicle registration (excise tax) number and there is more to come.

SB: Agreed that the early indications of the excise tax and the local receipts for FY 15 have "extremely favorable indications."

Glen: Nothing new. The regional bonus aid came in. Snow and ice accounts are still a concern. The school committee has concerns about long range projects and forecasting where they will end up if we pare back on them at their inception. We have also had unexpected increases in legal expenses. Overall at this point, we are where we anticipated being.

S Noone: We a projected deficit of \$2.5M is it now less?

SB: We use \$2.13M of reserves. On the tax recap; the DOR certified the tax rate; legally the books balance. We have the results vs. the plan. There is a strong performance from the town. The annual reserves projected on the ALG plan but what the town uses is actually 15-20% of what is used so if the \$2.5M shrinks so will the \$2.13M

S Noone disagreed about the percentage uses and said that what was being used in the plan for FY15-16 was not germane for FY17 & 18. If we use \$2.M in reserves for FY15 and then \$2.6 for FY 16, we need a touch of reality: there won't be the reserves for FY 17 & 18.

It was decided that this discussion needed to be held under the spreadsheet discussion.

3. Middlesex retirement assessment (MRA)

SL: Since the revision of the Middlesex assessment the increase has been \$611k for the town: a 29.07% increase; 11.65% increase for AB; and 15.3% increase for Boxboro. The BoS has approved a budget that assumes the increase will be \$611k. We sent a freedom of information act letter to see where the mistakes were made. We have checked our electronic output and it is OK. It is disturbing that public

safety employees were misclassified. They have an earlier mandatory retirement age. Of the \$611k we thing @\$200k can be attributed to this snafu.

Marie: The schools put in the full original assessment in the budget and are now \$98k to the good. This is a difficult time for the town and has made their budget process more difficult.

Mike G: If the numbers are reconciled—can we see the change before the passage of the FY 16 budget?

SL: We have asked for a meeting to see if the increase can be resolved before Town meeting.

4. Spreadsheet

SB: The FY15 \$635k positive is now \$197k; the model assumes a use of \$2.321k in reserves; the special TM took \$165k for the Acton Nursing Service; actual reserve use has been less than budgeted.

Revisions: the \$376k is now \$223k; \$585k untaxed levy capacity; which leaves us \$188k to the good. Tax levy is at the full 2.5% (with the untaxed levy is \$585k

Marie: We were asked to reduce the budget by \$585k and we have voted to do so. We we'll recoup \$187k of the \$400k levy capacity. This model is way out of hand. We decided to make the front page simpler and as a result the number and complexity of the back pages has grown. With the groups' permission, after Town Meeting we need to simplify it. The FY 15 tax recap balance is a solid number but as it flows through the model we are no longer confident about FY15 and 16

***Bart: Is there agreement on fixing the model after Town Meeting? There was. So now it's all systems go?

SN: The FC is opposed to using the \$400k levy capacity; we suggest on raising the use of reserves by that number---it should not impact the consensus but just the tax bill. I throw that out for consideration. Once both are used they are gone.

There was a bit of a stir when members realized that the FC was willing to take more money out of reserves.

***Bart: Is there agreement to leave the \$400k and use reserves. Yes.

Marie: The \$187k lowers the reserve use to \$213k

Katie: If FY 15 is as good as Steve B says we may end up using fewer reserves. I think its fine to take the \$213k out of reserves because I think we will get it back.

SN: It's time to look at FY17 &18

Marie: We have started work (on the spreadsheet) on FY17 & 18. Remind me what is the OPEB component.

SN: \$1.4M for both years

Mike G: We don't have the Segal numbers yet and that might change.

Marie: HIT met and there will be Medicare part B savings to return to the town and district; that may have a favorable impact on OPEB. When we do the re-evaluation of OPEB we will separate the town and the district to lessen confusion on who belongs to whom.

SN: My question is still the same: will we have enough in reserves to cover FY18. The Town is pulling out \$2M for the stabilization fund but that is not available to the ALG.

SB: I question how the stabilization fund will be shown on the ALG plan---since it's a Town Meeting vote; can we say it's just another form of reserves?

SN: It will take a 2/3 vote of Town Meeting to get the money from the stabilization fund

Bart: Do you want to make some changes in the model before Town Meeting?

SN: The stabilization fund complicates the reserves for FY 17 & 18.

Mike G: But it was the FC that asked for the stabilization fund

SN: We didn't think it was going to be \$2M more like \$400k

Mike: The stabilization fund will be used for capital projects

SN: What the FC sees is the use of reserves to cover the assessments and a rise in taxes

Mike G: MRS issue may not only be for this year it could be that we have an assessment of \$600k each year. These are big numbers; how much of the reserves are used we can't say The FC always does the 5-year model based on the worst case.

Bart: The words at Town Meeting look worrisome; saying the worst case that never happens

SN: It may never happen but what is it we have to tell the voters: the deficit gets bigger each year and they are being drained by composition costs; salary benefits; health care. Unless we have a sense of what to do differently from this history right now the reserves for FY 18 are only \$1.3M.

Bart: Since this group can't comment beyond Town Meeting. A number of people here now, won't be serving next.

SN: So we kick the problem down the road: the budgets are inherently out of balance. We need a fundamental change.

Krista: Maybe the safest thing to say is by FY 18 we'll need to raise taxes; cut spending and have a possible override.

SB: I believe we've balanced the outer years by the use of reserves and the projected budgets do balance.

Bart: Is the proposal possible cuts tax increase in the form of an override?

Marie: I would not go that far. We should not talk about an override. We keep on showing a favorable in free cash---that has to be more closely analyzed.

SB: we do see positive flows into free cash

There was discussion on where the free cash would end for FY15 and how numbers could be projected for FY18 if these numbers were not known

SN: Reiterated his position that the continual use of reserves would result in a \$5M hole for FY18. Reserves cannot last forever and as long as we continue as usual we are spending more than we can raise.

Mike G: Noted that in 2008, the worst of the recent recession, with judicious use of reserves and good budget practices we have been able to sustain the levels of increases. I am loath to keep on projecting the worst case because just now we have been able to cut the town budget by \$612k.

Bart: Is the issue that we need to solve the dilemma for the FC on how to present the figures without causing a panic?

There was an agreement that this was a problem of not getting the voters riled up when it was not necessary.

The discussion dissolved into people offering suggestions as to why the numbers were better that Steve Noone was predicting; the deficits he was seeing in the out years and the consequences.

Dennis: You are asking for our guidance: I would say that we do have a plan with known numbers; just tell what it is you know; and there are options for closing the future deficits. Tell the truth.

SN: What I see is projected spending looking reasonable' projected revenues looking reasonable but the results are still deficits. I don't know how to plug the hole.

Bart questioned if an agreement on this issue could be reached. There was some agreement that it could not.

Katie: I think if you go back and look at the revenues and the plans you will see that your predictions have been made in the past and they have not materialized. I think you can use the front sheet (of the spreadsheet) but it does not show the extent of the turn-backs. You may say that we need to make cuts but then you ask the voters which services they want to be cut. If there are no cuts in services, the voters have to pay. This is the sort of conversation we need to have. You (Steve) think we are standing on the edge of a cliff; but we have not fallen off.

Bart: Does anyone have ideas on how their committees will vote?

Marie: Do FY16. Look at the reserves page. Over the past three years we have budgeted \$3.1M; \$2.1M; \$3.1M. There are things we cannot predict like tax settlements that replenish reserves. We are far enough into FY 15 to see we will not use all the reserves. We should use net reserves.

There was agreement that reserves should keep to the state guidelines and not fall below 5% of the total budget

Bart: Do we need another meeting before the warrant goes to the printer [March 11] Right now the next meeting is scheduled for March 12

***It was agreed to keep the meeting on March 12th if needed and cancel if not

Marie suggested that the spreadsheet be updated and sent to members. She also suggested that the FC's address in the warrant be circulated among members.

6. Public Comment

Charlie Kadlec had two observations: 1. No one ever asks about the outlying years. More information about the budgets needs to be provided before voters can understand the impacts on the outlying years 2. Since the numbers are not known use a range instead of a definite figure. The actual increases on the spreadsheet are not discussed by ALG. No one questions the towns spending. And there will be few questions at Town Meeting.

Janet Adachi: I like what Dennis said to Steve: you can't spin the numbers. It's not as if we like to have people shocked. The problems like OPEB that the boards are grappling with are of no interest to the voters. Put them on notice; that's enough.

Franny: I agree with Marie; we need to see how much we are putting back into reserves. I also agree with Mr. Kadlec; use a range for the number.

Bart: It's my turn to comment: giving way on the bottom line is no surprise as it has been done before. Having Steve bring his dilemma on the outlying years before the group to get an idea of what they are thinking is new. Congratulations.

Adjourned 9:10

Ann Chang

Next meeting is March 12th unless meeting is not needed.