

REVISED (revisions are in 14pt bold italic)

Meeting Notes

Acton Leadership Group

October 25, 2018, 7 PM

Acton Memorial Library

Present: Bart Wendell, facilitator, Katie Green and Joan Gardner, Board of Selectmen; Jason Cole and Roland Bourdon, Finance Committee; Diane Baum and Paul Murphy, Regional School Committee; John Mangiaratti, Peter Light, and Steve Barrett, Staff. Absent: Marie Altieri

Audience: Mark Hald, Asst Town Manager, John Peterson, Charlie Kadlec, Terra Friedrichs.

Handouts at the Meeting: Minutes of the September 27, 2018 meeting; Press Release from Moody's Investors Service; Middlesex Retirement System Annual Pension Assessment; Minuteman Regional High School District Preliminary FY20 Budget estimates for Debt/Capital Allocation; Mass DOR Free Cash Certification for the Town of Acton; Acton Multi-Year Financial Model dated 10/24/2018.

Item 1: Approval Minutes from September 27, 2018 Minutes were accepted as written.

Item 2: FY 19 Updates – Moody's Bond Rating

Moody's: Town (Mangiaratti) Triple A rating again confirmed. During the conversation Moody's representatives indicated they are impressed with the OPEB approach but concerned with deterioration of reserves and suggested the trend could lead to a downgrade in the rating.

School District (Light) Double A2 rating confirmed; two Regional School Districts in Massachusetts have a Aaa rating (Concord Carlisle and Nashoba Valley Technical HS). Of concern to Moody's was the District's "lower than the national average" reserves; Moody's representatives were impressed by the initial work on the Capital Plan and indicated the final product could have a favorable impact on the rating. There will be ongoing conversations regarding the reserves in light of the Massachusetts statutory ceiling on reserve accumulation.

FY 19 Updates: Town: nothing particular of note to share

School: no updates; too early in fiscal year. Revenues appear to have a positive swing of about \$200K coming primarily from Regional Transportation (\$175K)

In response to questions from FC, the Town Manager said that Moody's did not quantify a reserve target but rather expressed concern with the trend of reserve use. The Superintendent explained that the Schools would pursue a rating upgrade before bonding for the school construction, relying on the completed capital plan as an incentive to make the change. Discussion that the characterization of a Stabilization Fund as a Reserve source be brought to discussion with Moody's.

Item 3: Free Cash Certification @ 6-30-18: Steve Barrett reported that the Free Cash certification is lower than the amount carried in the model (Reserves Tab) at \$1.4 million vs. anticipated \$1.7 million. The staff plans to work with the Town Manager to build up the Fund Balance going forward to assure an FY19 turnback. There was discussion of a turnback in the range of 5 percent as suggested in some ICMA

and GFOA best practices guidance. Responding to a question from FinCom, Barrett said that the components of the \$600K discrepancy between certification and the model were partially caused by no excess revenue and the one-time money generated by the Insolet Permits largely in FY17 with some follow on in FY18.

There was general conversation about the need to use reserves to fund operating expenses and the relationship between the lower regeneration of free cash and corresponding need to consider changing the town/school split to cushion the impact of the shortfall on the town.

A lengthy discussion followed about the out-year reporting in the model in response to the Town Manager's concern about the expressed heavy use of reserves needed to balance the model. The group agreed to put a watermark "working document/not final" on the model to avoid misunderstanding. Steve Barrett will present material at the next meeting on the assumptions and history of reserve use.

5. School Building Project Update: (Light) Next MSBA submission is November 6. The Education Plan is before the School Committee for a second reading; consultants are exploring options to identify best site in consideration of all the MSBA requirements. Test holes are being dug. Preferred site will be identified in January, evaluated January to June with a deadline to submit schematics to MSBA in August. The use of the Elm Street site includes working with the Town how to gain access to the recreation area; conversations have already started.

6. Minuteman Tech debt exclusion: After circulating the handout on Minuteman projections, Steve Barrett indicated that the current estimate for Acton is slightly less than the place holder in the model. The discussion then turned to consideration of the proposal to pay for Minuteman with a debt exclusion. The Town agreed last year to pay for the assessment within the current budget, but the model assumes in FY20 a debt exclusion. There are three options: no debt exclusion, debt exclusion for this year, or wait and lump MM expenses together with other capital projects. Representatives agreed to take the question back to their respective boards; Steve Barrett agreed to get the total amount calculation from Minuteman.

7. FinCom Draft POV: No changes since the last ALG discussion; Jason highlighted the decision to characterize stabilization funds as reserves and to raise the reserve ceiling policy recommendation to five percent of total spending. Jason will email the final version to the other Boards.

8. Town Pension Assessment – MCRS: Steve Barrett circulated an early warning communication from Middlesex County Retirement System showing unexpectedly high estimated assessments for FY20 and FY21 on the order of eight percent. Staff will examine the causes for the increases; two probable reasons are the increasing longevity of retirees and overall increase in salaries including the eight new police officers who are now in place.

9. Preliminary Consensus On FY20 Revenues: No unused levy capacity; level funding of local receipts and state aid; Town Manager's Budget in December; Table 6 slightly later. Katie emphasized that all numbers on the model would be placeholders until real numbers are available. Bart asked if everyone could live with these assumptions and there was no disagreement.

Next Meetings: November 29, 7:30 am; December 13 Time TBD

Adjourned at 8:45 pm.

Pat Clifford

Documents: Press release from Moody's Investment service; Middlesex Retirement annual pension assessment; Minuteman regional HS District preliminary FY20 assessment for debt/capital allocation; Mass DOR free cash certification and Acton Multi-year financial model (spreadsheet)