

ALG Minutes (revised)

December 8, 2008

Present: Bart Wendell, facilitator; Lauren Rosenzweig, Paulina Knibbe, BoS; Steve Noone, Herman Kabakoff, FC; Jon Chinitz, Heather Harer, SC; Bill Ryan, Marie Altieri, Steve Ledoux & John Murray, staff.

Audience: Steve Barrett, Mary Ann Ashton, Clint Seward, Dick Callendrella, Mr. Charlie Kadlec, and Bob Hertz.

[The tables were rearranged so than none of the ALG members had his back to the audience]

7. Other

Bart asked if there were any items under 7. Herman said he wanted to ensure that the FC point of view was heard.

1. Minutes minutes were Ok'd

2. Budget & Revenue Update

Discussion:

Steve reported that the Town was in a "wait & watch mode" looking at the end of the year state revenues. October was OK for Acton as far as state revenues. The big test will be the December revenues.

He expects the cuts will come on Jan 21 when the Governor presents his budget.

Bill: the schools have frozen \$112K worth of positions (K-12); there is a 5% hold on supplies. In the first part of Nov. state revenues were ahead the estimate is for \$120M – it's wait & see if the estimate will be reached.

Steve: The budget for FY10 is level funded [level services] & will be presented to the BoS on the 15th. The assumption on the spreadsheet is a 10% decrease in state aid for everything except Ch 70.

Bill: schools are also level funded APS will be a 6.4% increase; AB 5.3%. In talks with Roger Hatch—DOE & Tom Scott, Superintendent's Association—no new info on the formula for Ch 70

Tasks: none other than keep watching

4. FY 10 Use of Reserves/Possible Budget Reductions

Marie handed out spreadsheets with the actual numbers. Sheet #1 has the level funded state aid; # 2a 10% decrease & #3 ALG assumptions for FY 10-12

Jon Chinitz presented a course of action based on the analysis of the FC's point-of view paper. There is \$9-10 M in reserves spread out in Free Cash, E&D, NESWC & HIT.

Jon's proposal

Using the top sheet, there is a \$1.5 M deficit IF the numbers hold for the next six weeks he will suggest to the SC that the deficit be split down the middle---\$750k/\$750k the first \$750 be split 1/3-2/3 town & school & the second \$750 be taken from reserves.

Right now the plan calls for the use of \$2.2 M ---\$1.4m from NESWC; \$430 k from free cash; \$500 k E&D

This plan will use approximately 1/3 of our reserves---that's probably as far as we should go.

Jon stressed that going forward we use 1/3 of whatever the reserves are.

Jon recognized that the FC position was to use NESWC for capital only---but he felt the goal was too important---he did not want to adhere to the FC stricture saying it would add to the unemployment pool.

To get to this direction Jon said the following needs to happen:

HIT ---sharper pencils---lower the 10%. If the level is 8% the schools will have a \$110k reduction and the town \$30-35 k

Schools' increase class sizes---they do not want to do this---enroll more CHOICE kids If the #1 sheet is not operative---then the schools will have to lay off staff a 10% under the current economic model will require staff layoffs

Jon noted that Boxboro was in a very difficult situation ---their Ch 70 funds were less than Acton's, they have a declining enrollment, fixed costs are increasing & they will need a levy increase.

Herman noted that this plan would have all the reserves used by FY 12. Personally he is looking to reduce the use of reserves.

Paulina said that this was the first of a multi-year plan & she wanted to be more conservative now than not have the money later. She also wanted to know if the reserves were \$7 or \$9 M---because of the HIT.

An Alternative proposal

Use \$2.4 M of the reserves hold the budgets to 4.5% growth---if revenues drop further, then share the costs of closing the gap with some more cuts and some more use of reserves

Paulina added that she appreciates the recognition by the FinCom of the general goal of moving the split toward the municipal side over time and also recognizes that this is not the year to do that. It seems appropriate to maintain the split of revenue at last year's level of 30%. 30.9%

Steve N: concerned about three-year plan—it's a good idea but in FY 11& 12 the state may no longer have a rainy day fund. I would support Paulina and lower FY 10

John M. There are assumptions in each [alternative]---when will revenues to the towns hit bottom? ---between now & Jan? will FY 11 or 12 represent the revenue pit?

The key to this assessment is to discuss the numbers that will get us back to a functional plan.

We should not earmark capital only funds---it may be raining too hard. We need a three-year model that shows the cuts needed to make the numbers.

Jon agreed that John M's exercise would be instructive but his horizon is April 7 & things need to be done for that date.

The unsettled national and state economies have left three-year plans with a greater "probability of error". If we use only 2.5 M of the reserves, we will have to start a reduction if force---an exercise Jon would like to delay until more is known.

Bill: we will not know until House 1—third week of Jan. We can reduce budgets before we start cutting people. There will be political pressure to use reserves & not cut programs. We have to get to the absolute maintenance budgets before we reduce staff.

Steve N: the problem comes on the expense side when the budgets rise 5-6%; reign in spending to keep the increases to 4.5%.

Herman: the problem is expenses of 5.4-5.5% cannot co-exist with Prop. 2.5 so we are looking at overrides. Basically I do not think we use reserves to fund operations.

Bart: is there any agreement on an part of these scenarios?

Jon: I do not wish to rehash Prop 2.5. We are fortunate to have the reserves that we can use.

Bart: Is it a political reality that if we do not spend the reserves, we will not get Town meeting support?

Paulina: I can see the value of a multi-year plan; an override crises is due to the structure of the state law---costs rise more than 2.5%; the town has said they do not want cuts in service; the law is set up for periodic overrides. The question is how should we use the reserves to mitigate the financial downturn and postpone the need for a Prop. 2/1/2 override?

Bart: Is now the time to make the decision 5.0 vs. 4.5---or keep both [on a spreadsheet] until Jan?

Mr. Kadlec: In September I requested that the spreadsheet separate operating from capital for the municipal side. That has not been done. It would be nice to know what the numbers are for in the FY 10 capital line. May we have that information?

Comment: It is not a question of---the climate might change---the climate has changed. What I see here is business as usual and not new work

Bart: Bill's proposal is that we hold tight & keep working [to hone] the budgets to 4.5%---do that work & see what happens in Jan.

Lauren: I think we need to take it back to the boards for a full discussion.

Discussion about when to meet: It was decided to meet on Jan 12 rather than the 5th

Tasks: Bill & Steve Ledoux will revisit their budgets to see what can be cut to bring them down to the 4.5 level and what those cuts will mean

Finance department will determine the usable reserves from the Health Trust

Marie will add a column on the spreadsheet reflecting a 2.5% increase

Adjourned 8:45

Ann Chang