

ALG Minutes, March 4, 7:30 AM, room 204 and Zoom

Present: Bart Wendell, facilitator (zoom) Jim Snyder-Grant, David Martin (zoom), SB; Tori Campbell & Rebeccah Wilson, SC; Christi Andersen & Jason Cole, FC; John Mangiaratti, Peter Light Mary Ann Fleckner & Sheri Mathews, staff. Audience Ellie Anderson, town finance dept; Tom Beals, reporter.

Extra info/ documents: Agenda, minutes, budget projections, change tabs of ALG model

I. Regular business

1. Public comment: there was none
2. Minutes were accepted

II. New/ special business

3. FY24 update

John noted that the town was trying to absorb the health costs increases but to be on the safe side he was adding a place holder on the warrant to take necessary funds for free cash. He hopes he does not need this option.

Revenues are strong; the town is intentionally holding back on costs but continuing to hire where positions are vacant .

Jason: what's the level of the place holder?

John: \$400K— it will not affect the ceiling.

Peter: our position is similar to the towns—so far we're \$420K to the good but it's too early to tell. We're take \$400-\$450K from E&D to cover the health care costs. We're still fine tuning the budget. The big question is what we will have to cover in health care costs for FY 25

4. FY 25 preliminary budget projections

John: the SB adopted the budget and sent it on to the FC. All the numbers and changes are reflected on the spreadsheet.

We've reduced the A budget by \$228K; we've shifted debt management strategy and going for short term borrowing. We'll have the package ready within the next six weeks. We've been assured by S& P that we'll keep our Aaa rating. The good news is that we'll save \$200K in the operating budget with the move from HIT to MAIA. We've been able to get agreement with all the unions.

The SB also voted the language for the ballot question for the town election on April 30th. The override is \$6.6 M with increases in taxes.

Jason: the message now out is that the \$6.6M will not all be used in the first year

John: that may be so but we cannot put that into the ballot language.

Peter: there is a fluctuation in the ALG spreadsheet by about \$50K. It's small.

The SC anticipated to vote on the budget March 21. We're in a similar position as the town in withdrawing from HIT on July 1st and move to MIA. We don't know what costs will still be in FY 24 and are meeting with attorneys to make the switch.

Bart: questions?

There was a general discussions on how to handle any claims in FY 24 and what that would mean for FY 25/26. There is the expectation that there will be no real reduction in the costs.

4. Review of model

John: the new model is in the packet with the changes highlighted (John shared his screen)
A plan has the \$6.6M; B plan does not

On the tax plan changes tab : A plan has \$6.6M levy increase; \$1M untaxed levy capacity; overlay was \$800K— we dropped it back to \$700K; state aid is the same; local receipts the same; free cash last time showed \$2M now \$2.15M; the idea behind this was to keep the \$400K placeholder and still be above the agreed to floor. Next year it will make getting to the floor harder— revenues and turn back will change.

The operating budget A also reflects the school assessment. All of this will result in a net surplus of \$200K.

On the B budget there is no levy increase; no untaxed levy capacity; overlay same; free cash \$1.5M. You can see the budgets...the net position will be \$44K surplus.

Peter: the SC will not vote the B budget unless the override does not pass. The SC will have to vote a lower number.

Christi: will the \$1M untaxed levy be used in FY 26

John: untaxed will be down to zero; shows it will be used next year.

Jim: there has been nothing explicit by the SB or ALG to target percentages

David: my preference is to go to a 3% increase as a clear ALG precedent for FY 26

Jason: if we have an expectation of \$400K revenue to the good, we should bring down the assessment and reduce the tax burden.

David: in my opinion this is a discussion for later to see how things are going. We have set the motion for ATM; apply the money to untaxed levy as long as that is consistent with the “loan” from free cash. We cannot go below the floor next year — we will not be able to do capital projects using FC — but purchase from general revenue. We need to bring FC back up.

John: the \$400K is for FY24. This may be the last year of turn backs; the \$400K is not in the FY 25 budget.

Christi: we need to have a model in the warrant that lays out the tax capacity as displayed in the plan.

John: how about today?

Bart: is that an agreed to proposal?

Jim: a good idea— at least for next year. We have to show where we are going— with the ALG approval not to exceed the budget numbers. We need to agree/ affirm the budget numbers. I'm not sure we have a consensus. The schools numbers will still be changing.

Bart: you need an acceptance of the model for FY 25.

Jim: we need to affirm the role of the ALG— give general direction on the A budget

Christi: I think you're saying. We reach a consensus on specific numbers. My inclination is to agree but we don't have the final numbers from the schools.

Rebecca: we will be voting on the budget on the 21st

Bart: so that will be an item on the agenda for the 25th?

John: with regard to the out years- do you want to make projections on the levy. It's a question for the whole group— shall we set that in place.

David: I propose a consensus on the untaxed levy in FY 26 be \$1M and change. That will be making assumptions on the overlay in the out years as well.

Bart: is that a charge?

David: untaxed levy \$1M for FY 26; overlay run out the same as FY 25 and let the finance dept. run out realistic numbers.

Jason: yes, we should try to get the out years as close as possible— our best guess is to have the \$1M for FY 26 and we'll see a declining reserves— we need to present accurate as possible expectations

Bart: so that's a consensus? Yes.

Jason: I'm not sure that the 3% increase is possible for FY 26 but it will be for the out years.

There was a general discussion on what would happen in the out years and when there would be projected deficits and how they'd be covered. There seemed to be a recognition that there would be a reduction in turn backs which would impact the rise in free cash for the future. There also seemed to be a consensus that the ALG would only do one year at a time.

Jason: we should not use all \$1M next year—only about \$750-\$800K— but we need to put in some number.

The general discussion switched as to putting a definite number or percentage for the amount of levy being used per out year.

Bart reminded them that \$800K was on the table.

Peter suggested using 1/3-1/2 and leaving the rest because of all the “ unknowns”.

There was some general agreement and Jason cited the big unknown of residual HIT costs and then the cost/ savings for joining MAIA.

Christi suggested that using the “ unknowns” might be a benefit at ATM— which as it now seems, FY 26 is not as dire as first predicted.

Bart: I note that there is still not any certainty going forward.

Christi: I think we need more guidance from the town and schools.

Jim suggested that the ALG staff look more closely at FY 26 to see if the deficit will be less than \$1M.

Bart: is the staff willing to volunteer for this task?

David: the ALG goes first. We should plan a number and finish this discussion next meeting. We know where the bottom is; so we can plug in a number. I think there should be a division of 3% per entity

Jason: that's a rough guidance. I propose \$333K take the rest of the unused levy , limit spending in FY 26 and use a second part then.

Bart: does that make sense to everyone?

Jason: that will show a \$1.8M deficit in FY 26— that's not a good number. Therefore the message in the warrant will be that both entities will make changes so that we don't show the \$1.8M deficit.

David: if we run the 3% out in the model; add \$333K between the two entities; we can see what we have— it's scary to print that deficit in the warrant.

***** There was a consensus hot the 3.1% and adding the \$333K.

John: in the FY25 model we use \$2.1M of free cash which is a huge chunk of the deficit.; not to mention that will take FC nearer to the floor— we won't be able to use \$1M in FY 26— we need to be closer (have a smaller deficit) we will need to focus on untaxed levy.

Bart: does that mean a 1/3 tax levy charge?

Christi: it's not balanced. 3.1%, keep \$1M or drop to \$500K. We need something to show we're being good stewards of the money; we need to have this override pass; I understand the desire not to commit to numbers but we have to demonstrate smoother sailing ahead.

Bart: simply reducing untaxed levy will solve the problem?

****Once again there was a general discussion along with disagreements as to the next steps. From this discussion two agreements were reached: the model usually shows at least \$1M deficit for the following year [these deficits are reduced through the ALG process]; and that having projected lower deficits was a goal.

***There was also an agreement that all the remains loose ends would be fixed at the next meeting scheduled for March 25th.

There was a question as to whether the language of the ballot question could be changed. John explained that the language was based on MGLs and had to stand.

****Although there was a lot of discussion about the written deficits for FY 26, there was agreement to reach consensus on FY 25 first.

***John showed a chart of estimated tax impacts. It was agreed that this chart be made public.

Bart noted that the ALG had done a lot of “ heavy lifting” and in doing so confirmed the need for the ALG.

If the override fails, the ALG will meet on May 1st.

The next scheduled meeting is Monday, March 25th , 7:30 AM.

Adjourned 8:55
Ann Chang