

ALG Minutes Feb. 27, 2014

Present: Bart Wendell, facilitator; Janet Adachi & Mike Gowing, BoS; Dennis Bruce & Kim McOsker, SC; Pat Clifford & Steve Noone, FC; Steve Ledoux, Steve Mills, Steve Barrett and Don Aicardi, Staff

Audience: Doug Tindal, FC; Paul Murphy, SC; Allen Nitschlem & Charlie Kadlec.

Extra Information: ALG spreadsheet

Minutes were accepted, with corrections.

## 2. Update on FY14 revenues and expenditures

S. Mills: Nothing new. S. Ledoux: the snow and ice account is now in deficit.

## 3. Review of updated spreadsheet

SB went through the changes made at last meeting where the positive \$885k was divided: \$350k for the tax levy; \$342k to increase OPEB to the \$1.1m level; lowered reserve use by \$176k; the remaining \$17k to the tax levy. The \$325k from the overlay surplus needs to go through the mechanics of being declared surplus and then into reserves before being used to lower the tax levy.

\*\*\*\*\*There was agreement with these changes

The discussion turned to the listing of the OPEB numbers for the out years of FY 16 & 17.

Mike noted that the municipal contribution of \$675 was a one-time thing and should not be a multiplier for the out years.

Steve Noone suggested that the OPEB numbers be pulled from the listing and be put into its own box.

There was a discussion on how the OPEB numbers would be split in the outlying years.

## 4. FY 16 & 17

SB went through the changes to the outlying years. He assumed a 3% increases for FY 16 for the town for both FY16 and 17; and 3.8% and 3.65% school assessment for FY 16 and FY 17.

Kim asked what the estimated were for the increase in value from the tax levy. Ans: 5%

SN; asked if the taxpayer relief was carried over to FY 16 & 17. Ans: no.

SN: indicated that there were specific areas that needed discussion: 1. Are we comfortable with Ch. 70 increases at 2.5% for both years even with the declining enrollment numbers? 2. Where is the money for the fire station/senior center [Steve L; they have not been factored in] 3. Debt exclusion costs 4. Salary assumptions at 2.5% increase--how will that be accomplished?

Bart: we now have six things that need to be discussed

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1. OPEB split
2. Level of increases in regional assessments
3. tax relief for FY 16 & 17
4. Is a 2.5% increase in state aid reasonable
5. Reliability of a 2.5% increase in school salary figures

Mike: does OPEB level off at \$1.4m in FY16?

SN: no, it goes to \$1.6 in FY 17 and then levels off.

Mike was concerned about the OPEB split and he wanted to insure that the schools would be paying their fair share and the town would not be penalized.

Bart: the split will use the \$1.4m to \$1.7m? Is this agreeable?

SN noted that it would be far more complex in developing the split because of the transfer of the employees, the use of the trusts and the possible actuarial changes. It was agreed that the split would be something that would need to be determined when there was more information and could not be accomplished at this meeting.

Mike noted that there might be changes in the state legislation; a reassessment by Segal (contractor hired to develop the plan); and changes from the unions.

It was agreed that the OPEB numbers would be pulled out for the Town Meeting presentation and that the next ALG would deal with the split. It was also acknowledged that one year's decisions by the ALG were not binding on the following year.

Bart: regional assessment

Don: there is no experience for this. He did agree that the number would increase but he was not willing to put in numbers for the out years.

Pat noted that the major concern of the FinCom was the use of the reserves for budgets that were not sustainable.

Bart: tax relief in FY 16& 17

SB: did not add any tax relief and was building a spreadsheet using 2.5% increase.

SN: said that the FC wanted the tax relief to continue and it was suggested that the NESWC liability fund of \$1m be used over the two-year period to give the relief.

Pat noted that the unused revenue (levy left on the table) could be used in the future as a revenue source. So using the reserves now, we can always tax to that level in the future.

Bart: I detect sluggishness in the response.

SN: perhaps we should move on and come back to this later

Bart: number 4---is the 2.5% increase in state aid reliable?

Don: this is the first time we have had a unified Ch 70. It basically went up 1% but the formula is complex and part is determined by enrollment. If you'd like us to change...

SN: we want it as accurate as possible

Pat: is there a minimum amount per student?

S. Mills: the number is based on demographics; there are also the SPED costs. The governor has increased the amount by \$25/per pupil but the 2.5% increase is optimistic.

Bart: do we have a suggestion for a percentage closer to the mark?

Don: we could put in 1% for Ch 70 and 2.5% for everything else.

S. Mills: Patrick has been very positive about Ch 70 but he's leaving office so we don't know what will happen.

Bart: #5 fire station/senior center impacts on FY 16 & 17?

S. Ledoux: if we agree to go ahead, FY 16 will be a vote for design money and FY 17 for capital so the impact will have debt in FY 18.

Mike: by FY 18 we will drop the debt for the library and NARA and so have some debt capacity available\SB: twin school debt was for 10 years and so that will mature in 2023.

Bart: #6 2.5% salary increase for school; can that be maintained and how?

S. Mills: in reality it's the contracts that will make the determination. The law has steps and lanes and 2.5% does not give us a lot of wiggle room.

SN: this year's regional budget has a 2.2% increase that will translate into a 4% increase for next year.

Don: there is savings in this year's retirement; can't talk about the contracts; we lose some high salaried teachers and have fewer teachers.

SN: we need some answers for the warrant message. The deficits we are showing are not so different from last year; the gap seems to be growing rather than narrowing. How far should we let the reserves fall and still be able to maintain the 5% cushion. We don't have much time if we are using between \$2.5-\$3M in reserves per year.

Pat: does the proposal continue to be 2.5%?

Kim: there are variables each year---I think the 2.5% is OK.

Pat: there is little appetite to tax unused levy capacity [for operational uses] If the variables don't come in, do we have someplace to go?

I cannot imagine that in order to keep a 5% reserve we tax to 4%. Part of this discussion is trying to find the fulcrum to build the fire station and not have an operational override or a debt exclusion override.

Bart: #3 tax relief

Kim: what's the amount needed to drop a percentage? Ans: \$325k =  $\frac{1}{2}\%$

SB: we have relief now at a 1% drop \$675k plus \$17k

SN: at issue is taxing to keep a reserve level. Budgets using @ \$2m [in reserves] are out of whack. I have it on good authority that the turn backs are going to be slim to none. We are in a declining curve if we expect to keep the 5% cushion. We are in a vicious circle and we need to say something at Town Meeting.

Kim: let's do a  $\frac{1}{2}\%$  as a place holder at \$325k

Bart: is  $\frac{1}{2}\%$  for FY 16 & 17 ok?

Pat: the FC's POV has suggested 2%

Janet: this ALG cannot commit future ALG's given the bind, there is no good choice, the budgets will grow. You [the FC] can send the message that we are considering relief and controlling budgets. At this time I think  $\frac{1}{2}\%$  is enough.

\*\*\*Bart: do we have an agreement of  $\frac{1}{2}\%$  We recognize we cannot bind future ALGs, but we can Have a gentlemen's handshake here and the  $\frac{1}{2}\%$  will be a feature of next years budget.

Pat: the message it gives to people is that we have given some thought to the size of government and that there are other sources for reserves and not everything needs to be on the property tax.

\*\*\*There was a general consensus to the  $\frac{1}{2}\%$  over the two years.

Pat: when will see the fixes.

SB: the warrant deadline is March 10<sup>th</sup>, perhaps we should meet one more time to review them.

## 6. HIT

Kim: there was a vote to have the rate at 9.5% increase. That is higher than we wanted but the fund is at the lower end due to some high medical costs and we do not know what will happen when Boxboro joins

Mike: the rate is 5% for retirees

Pat: that's good news for the schools but not for the town

SB: it will cost the town somewhere between \$40-\$5k

Don: the schools used 10% so that will provide a nice cushion.

**7. Public**

C. Kadlec: are the OPEB numbers in the budgets? Ans. yes

Tax relief for FY 15 is 1%. The numbers on the tax impact sheet look a little low.

\$300k to \$350K each year "there is more water in puddles" There is a couple of million floating around there is plenty of money to cover it.

**Next Meeting (if Needed)**

**March 6<sup>th</sup> at 5:30 PM in the JHS Library**

Adjourned 7:15

Ann Chang