

ALG Minutes Jan. 28, 2016

Present: Peter Ashton, facilitator; Paul Murphy & Kristina Rychlik, SC; Mike Majors & Margaret Busse, FC; Peter Berry, BoS; Steve Ledoux, Glenn Brand Marie Altieri & Steve Barrett, Staff. Absent: Katie Green.

Audience: Janet Adachi & Franny Osman, BoS; Clare Jeannotte & Brian McMullen, Staff; Charlie Kadlec

Extra Information: Charge of the Capital Planning Improvement Committee; ALG spreadsheet

Minutes accepted

2. Update of FY 16 revenues

Steve L: things are on course; luckily we have had no snow. At the MMA meeting it was announced that House I has a 3.4% increase in local aid and Chapter 70 is fully funded. "I'm not sure what that means." There is supposed to be more in the budget for regional voc. tech education

Glenn: so far things are tracking as expected. We started to look at projections for FY17 at budget Saturday.

Kristina: I've heard that Ch. 70 is not fully funded.

Marie: the preliminary numbers show that we will get \$20/student rather than the \$25/student we got last year. That represents a \$28k difference. We are expecting a \$28k positive from CASE. It's hoped that the legislature will return Ch. 70 to the \$25 level

Clare: The trend for Chapter 70 is 3% increase for FY 14; 3.3% for FY 15; 2.5% FY 16 and 1.6% FY17.

3. Review of spreadsheet

Steve B: Marie and I have had some productive meetings. You can see on page two the listing of the changes we have made since 10/29 through 1/25. The revenue assumption from the last meeting has changed: we now have a net \$603k positive

Marie went to the reserves page where she said that they had done a lot of updating and review.

This is the last year for NESWC funds. The three-year running totals for reserves are: FY 14 \$1.7M; FY 15 \$3.3M; FY 16 \$2.6M (prior plans have the town's replenishment at \$600k) FY 17-19 \$900k (estimate) we have added the assessment at 84% which is Acton's portion.

We consider the projections to be on the conservative side. We expect \$900k in free cash from the town and \$300k from E&D.

Looking at the total operating budgets when have FYs 14-16 11% of reserve; FY 17 8.7%; FY 18 7% and FY19 4%. The net position for FY 17 is a \$603k positive with \$2.6M of free cash and \$200k of E&D. for FY 18 there is a \$496k deficit and FY 19 a \$1.7M. These numbers can easily be fixed by reducing budgets and an increase in revenues. FY 18 & 19 are very early projections.

Our question right now is how we are going to distribute the \$603k; to the tax levy or reserves?

Margaret: Why are you going out only two years?

SB: we have to wait for the FC to be certified.

Margaret: is the Walker land included.

SB: those funds were taken from the stabilization fund. The DOR does not count stabilization funds in the reserves but Moody's does.

Margaret asked how the reserves were replenished and if there was a history for this replenishment. Steve said that the basic number was the total town valuation and that the replenishments had little to do with the budget. That there were reserves were replenished due to increases in fees and other non-budgetary items.

Margaret asked if taxpayers were paying for the replenishment of the reserves by having a too high tax bill and if it would not be better to lower the taxes

Marie: we are now in what I would call "budget light" and the level of turn backs will diminish. The reserves will be replenished by one-time events. I do not think it's prudent to not have increases every year.

Margaret: My biggest concern is that we are over budgeting in order to get turn backs so we will have reserves. I agree it's prudent to be conservative [in spending] but it is also prudent to not over tax.

Peter B: the charts are helpful in giving us a history of the reserves. I know there are revenues, such as tax titles which we cannot predict but otherwise the predictions seem to be quite good.

Margaret: The heart of the problem is the one-time payments or is there a trend in the increase of revenues. I just think we should step back and look at the philosophy of building up the reserves and then spending it. I think we are shortchanging the tax payers. I would like to understand this one-time trend.

SB: we cannot budget for a tax title. The DOR does not allow us to budget \$1/4M to \$750k a year.

Steve L: the DOR makes base the tax rate on the amount used the year before---that in itself forces us to be conservative.

Kristina: is the Walker money out? If we sell the walker property will the money come back?

Steve L: the Walker money came from the stabilization fund. We have replenished that fund from free cash.

Peter B: there has been no decision on the use or the sale of the Walker property.

Kristina: I appreciate all the work you have done and now see that you have put the threat of an override to bed.

Peter B: The only real variable in budgeted receipts from year to year is local receipts. The amount of anticipated real estate taxes to be collected is predictable. The recent increases in revenue over budgeted have been increased collections from local excise taxes, as well as from one-time revenues, such as tax titles collected. DOR requires that the Town budget for an increase based on the prior year % increase. (2%FY 14 to FY15) DOR does not allow the Town to budget for one-time unanticipated revenues such as collecting on overdue tax title. Budgeting based on hoping to receive revenue from a one-time source could be a disaster.

The Town spent approximately \$190k below budget in FY15. This represents approximately .6% of the \$31,341,000 budget. That is a tribute to the Town's responsible spending, as well as its ability to accurately budget. The \$190k was added to free cash. Other additions to free cash included collections on tax titles and an increase in local receipts above the budgeted amount.

SB: The first quarter of excise tax is \$2.8M and our total for last year was \$3.2M This year it looks like it's going to be higher---we will get our largest component in a few weeks.

There was some more discussion on reserves and a reiteration that DOR does not count stabilization funds as reserves but the rating agencies do.

4. Use of reserves

Peter A: last time you were directed to go back to your boards to take a position on the use of the \$600K to reduce the levy or add to the reserves.

Mike: Looking at the tax bill there is an increase of 5%/SFR. The reserves seem to be at an appropriate level, we think it should go to reduce the levy

Margaret: there was a general sense that it should be used to reduce the levy but there is concern that we do not know the extent of the costs for the senior center or Minuteman.

Kristina: If it is applied to reduce the tax levy, what would be the effect on the tax bill?

SB: it would go from a 4.8% increase to 4%.

Kristina: there were split opinions at the recent FinCom meeting I attended. When the SC discussed the issue, it was felt that it was not appropriate for the Region to take a position on Acton's tax bill.

Personally I think it is better to use it to reduce the tax bill. People will understand that more than the reserves.

Peter B: the BoS voted to use it to reduce the tax bill.

Mike suggested that for next meeting the group be given a history of the tax bills going back for 10 years

Steve B. Said that the tax voted at Town Meeting could be less than what the final was. Margaret suggested that Steve also develop a history of the delta between the two.

Peter A. Suggested that ALG plan and the tax recap be added to the agenda for the next meeting

5. Review of proposal for Capital improvements

SB: the town has gone through a review of the facilities needs and made a formal capital plan with proposals for payment from operating budget, borrowing and debt exclusion.

Steve L: produced a memo for the charge of a committee for capital improvement planning.

First part is a listing of seven members Town Manager or designee; Superintendent or designee; a member from the board of selectmen, finance committee and school committee along with the finance directors of the town and schools.

The committee will study proposals from both the town and schools of; projects costing more than \$100,000. The committee will also prepare an inventory of the facilities and major capital equipment; establish a priority list. And the Town Manager will develop a budget for the capital projects...

Everyone thought that this was a good idea. The region is going through a similar study of their facilities; it was decided that the same people would be on both committees to best share information... The schools will also do a priority listing of their facilities and bring the information to this new committee.

Marie: the schools have already started their review of the facilities and Phase I will be ready on Feb. 4 with Phase II expected in the fall.

Glenn: The SC will get the report on the existing conditions next week. We will put the report on the web. For Phase II we wanted wider community participation. We are looking for people with a history of building construction in town as well as people with civil and construction engineering experience.

6. Minuteman Tech

Steve L: the Town Meeting is on Feb. 2 and will be on the regional agreement. The changes will make it easier for member towns to get out of the region (potentially there are seven who want to withdraw); adds capital payments for the tuition paying students; and it will make it more attractive for new members to join. There is a good FAQ on the MMT Superintendent's website.

Peter B: The Governor has stated his support for Voc. Tech schools.

Steve L: at the ATM there will be a vote to fund the construction. If we don't get it passed, the region is likely to lose the MSBA funds which is \$41M.

Margaret suggested that Acton could not afford Minuteman and noted that Boxboro had done and in depth study of alternative Voc. Tech schools and wondered if the Acton school committee was going to do the same. She also asked if the students could not be brought back into AB.

Kristina noted that years ago when the high school was being renovated there was an agreement that AB could not house the Voc. Tech students nor give them the education they needed. Acton has been very happy with MMT and we think they have provided our students with a good education. When Boxboro considered leaving they did evaluate other options.

Glenn: there is a critical need for such education and MMT is doing a good job. There has been concern that if Boxboro does leave what will happen to the MMT program in AB's 7th and 8th grades. But we have researched that and believe that we can the program as is.

Marie: not all Voc. Tech Schools are the same. The education offered is specialized and thus more expensive then a regular high school. MMT is the highest rated Voc Tech School in the state. It is a very good option for our students.

Margaret: I'm disappointed that Acton is not evaluating the options of becoming a non member like Boxboro. It costs a lot more per student and there are reasons that seven towns are thinking of leaving. It's important for the town to go through the rigor of an analysis.

This discussion was not solved. Those on the FC were for the analysis while those on the SC felt that MMT was the best choice for the Acton students.

7. Public

Janet: I went to a meeting of MMT last night and learned that 1/2 of our students are SPED which is another reason for the increase in the costs. There are a lot of issues with Voc. Tech education but it's not a straightforward as just looking at the costs. You have to be careful when comparing MMT with Assabet and Nashoba. MMT offers more courses and has far more students going on the college and post-secondary education. One of the towns, Sudbury has always been unhappy, it's not clear exactly why. But Acton has been satisfied.

Charlie: Tax bill: last time the change was 5.6% now you have it at 4.8% and the levy has not changed.

SB: it's the effect of new growth

Charlie: if the 4.8% is correct, I'm all for using the 600k to reduce the levy but it's still too high. Inflation is \$0

The actual tax increase relates to the timing. Acton's town meeting is in April where we vote what to spend. But between April and December, when the tax rate is set, there can be lots of changes. Not many will notice the decrease but thank you for going in the right direction.

I know the DOR has limits but it does not tell us how much reserves we can use. The DOR does not tell us about over budgeting.

Adjourned 8:55

Peter Ashton said that Bart would be here for the next meeting on Feb.9

Ann Chang