

ALG Minutes October 13, 2016

Present Bart Wendell, facilitator; Janet Adachi & Peter, BoS; Paul Murphy & Amy Krishnamurthy, SC; Doug Tindal & Margaret Busse, FC; Steve Ledoux, Glenn Brand, & Steve Barrett, Staff. Absent: Marie Altieri, staff.

Audience: Clare Jeannotte & Brian McMullen, Staff; Peter Ashton, Town Moderator; Andy Sheehan, Town Administrator, Middleton and Charlie Kadlec, town meeting member.

Extra info: multi-year financial model; ALG summary of plan changes; fincom's POV

Minutes Okayed

2. Update for FY 17 revenue projections and capital plans

Steve L: so far things are moving along OK. Our big concern is the legal budget. We are embroiled American United over the spending of CPA funds. So far ¾ of the legal account has been spent. They have until Oct 23 to file an appeal.

On capital, we have just started the "On the Hill" process for FY 18. The requests look like a 3% increase but that does not include the lease costs for the senior center and are not sure if we will put it in capital.

We've just started the capital improvement plan committee where we will look at the capital financial needs for the schools and town for the next 10 years. We will be visiting the three fire stations and looking at needed renovations and try to determine how much capital improvements we can take on for FY18.

Glenn: FY 17 is moving along as expected. We are preparing the ¾ report for FY17. On November 9 there will be the final presentation of the construction master plan. We will provide the school committee with a number of options: new buildings; renovations. For the larger capital plan we need to identify priorities

3. FY 18 spreadsheet

SB directed attention to the changes page. The change sheet reflects the FY16 actuals which was requested by the finance committee. The nursing change from \$300k to \$150k which reflects the sequestration of the funds within the general budget; the meals tax was project at \$270k but came in at \$250k; interest on town deposits dropped to \$86k from \$50k; increase in state aid by \$75k.

SB There is a need to update the after the special Town Meeting for the senior center and the land purchase. At present the free cash numbers are estimated.

Margaret: The nursing service revenue increases---where are they reflected? Are these numbers net or gross? Do we have any idea of what it costs to provide the services?

SB: In FY16 the nursing service was folded into the general operating budget. It is now its own town department.

MB: There seems to be a 2x increase in expenses

SB: The expenses did not double; I have to go back to that department for that number

Brian: the nursing service is a contractual service. The expense drivers are the contractual services.

Doug: The finance committee was opposed to putting this service into the general operating budget. This service is bleeding us at the rate of \$150-\$250k a year. The efforts at marketing may be more successful in getting more business.

PB: the town meeting voted over whelming to keep the nursing service. I'm not sure that it is still bleeding

Doug; it's a nice service but it also must be viable. It used to have a reserve and now does not, we cannot allow it bleed us ...

Janet: I will abide by the decision [of town meeting] to keep the service. It's obvious that we need more transparency. It would be helpful if we knew it was doing better. We need to control costs otherwise we will have to control services. I was disappointed in the report by the task force. We need to have this discussion off line along with the staff.

4. FinCom POV

Margaret thanked the staff for spending the time to help her understand reserves and how they are accumulated.

The FC first needed about the movement of reserves and how it plays in the forming of the budget. We asked for the change in the ALG spread sheet so we could see the actuals. Second we had to consider where we stand now. Should we have lots of reserves or should we refund monies to the taxpayers. We decided to follow the DOR recommendations of having 5% of the operating budget. We are still looking at the idea that the 5% is just for the town or whether it needs to be for the town and schools. If just just for the town, should it be less than 5%? Should we count the schools having their own reserves? Then we have to look at near-term capital needs. We think we should continue to fund OPEB at its present level.

Our conclusions are: there is no need for a 2.5% overrides this year; if the near-term capital repairs are not funded from reserves, we may need an override; given the magnitude of the capital needs we may have to have capital overrides in the next 2-05 years.

Margaret said that the POV still needs some tweaking by the FC and she would like it to be the basis for the discussion at the November 15th meeting.

***There was agreement that the FC's POV would be a topic of discussion on 11/15 but the boards needed to see the document in advance.

PB: are you going to leave the unused tax levy? And I think the capital needs priority list has to include the school.

Margaret: yes, the untaxed levy will remain unused. She agreed that the schools needs also had to be listed.

Paul: thanked the FC for their work. He noted that the 5% cap on Municipal was fair. He was not as certain that the recommended \$1q.5m use of free cash was enough. The SC is paying more attention to capital needs moving forward. He add3ed that it might be a good idea to develop a capital program similar to OPEB...

Margaret noted that there was a capital plan being developed. She added that the town had never taken into account the depreciation of capital items. She said that this might be another part that needed to be added.

PB: We have a stabilization fund which we could grow for capital. I'm not sure we have voted (agreed to) a \$1.6m use of reserves.

Bart: That was what was presented at the beginning of last year but ALG is not bound by last year's agreements.

Janet: I can remember when the \$1.6M 2was proposed several years ago. Arlington has a capital plan and a fund. Perhaps we speak to them about their process. Whatever we do, it has to be orderly.

Bart: Is anyone willing to speak against the stabilization fund?

Janet: we need to have specific plans for the stabilization fund.

SL: It's a bit too early to discuss meaningful numbers: whether the reserve is too low or not. We don't know if a 3.3% increase for the schools is enough.

Doug: I agree it's too early to decide where the money goes: stabilization or reserves. But what we do need to do is plan for the future and is realistic about what we will be faced with. We have to have buy in from the town and schools on a capital plan and how it will be funded. There are other things besides the schools, like the fire stations which we have allowed to deteriorate. We need a town-wide philosophy.

Margaret said that she would have the POV ready well before the 11/15 so the boards could study it and come up with suggestions and agreements.

Doug said that in addition the three boards needed to do a better job of looking forward

5. Capital Plans

There was no more on capital plans .

6. Public comment

Charlie: if I follow the spreadsheet it looks as if we are in for a 4.7% tax increase. This is an increase without using the unused levy.

SB: the model has us taxing at 2.5%

Charlie: Regardless of what the FC decides—to use the unused levy or not---a 4.7% is a significant amount.

Peter, Amy and Margaret will meet to discuss the agenda for 11/51.

Next meeting November 10, 7:15

Adjourned 9AM

Ann Chang