

12/12/05 - (8)

MEMORANDUM

December 9, 2005

TO: Board of Selectmen

FROM: Peter K. Ashton

SUBJ: ALG Update

cc: Don Johnson

It is that time of year when discussion about budgets and how the ALG plan will split the pie become contentious and difficult so I wanted to briefly update the Board on where we stand.

The next ALG meeting is Tuesday morning, December 13 at 7:30 am. At the last ALG meeting, there was agreement that we would examine ALL revenues from both sides of the house to see what should be shared and what should not. This is a significant move and it will be interesting to see how the discussion plays out. Once the total revenue pot is determined, the discussion will then proceed as to how to split that pot, given that certain revenues may or may not be available for sharing. I recognize that we must continue the trend started last year of increasing our share, but it is first important that we get agreement on what is to be split. At the last meeting I observed that the revenue sharing formula creates a "perverse" incentive for both side to "shelter" revenue in areas not shown on the ALG plan, and that both sides have done exactly that in recent years. I pointed to our moving the ambulance fees out of general revenue into a revolving account three years ago as well as the schools' choice revenue and circuit breaker revenue as examples of their doing much the same thing. I do not know where this discussion will turn out, but I am hopeful that a case can be made that revenue that is essentially cost reimbursement should not be shared, but all other revenue should be shared.

Then the debate will focus on the split. First, since there seems to be considerable misunderstanding about this, I want to emphasize that we did see an increase in our share of shared revenue last year **of 0.5% or about \$340,000**. Had the higher amount of the pyramid override passed, we would have seen an even large share, but we did get movement from the schools last year even in the base override budgets.

I have attached a spreadsheet that documents the split over the last 10 years, indicating the rate at which budgets have increased, the respective shares of incremental revenue each year, and the municipal's share of total revenue shown at the bottom and highlighted in yellow. That has been the operative number in the ALG discussions over

the last several years. As can be seen, we are now at 30.3% which is up 0.5% from last year, and has actually returned us to where we were in FY02. I would also note that our share of incremental revenue last year was 38.4% which is the highest it has been by far over the last nine years.

That all having been said I will continue to work to see our share increase this year, although the metric may be slightly different depending on how revenues are defined. The increase needs to be continual and gradual, and as I have discussed with Don, the strongest argument I see should be made in terms of the increase in our workload over the last five year relative to the schools. Since 2000, enrollment of Acton students has increased at 2% per year, but over that same period as the attached table shows, the compound average growth rate (CAGR) of the schools' budgets has been 6.57% whereas the municipal budget has gone up at only a CAGR of 4.84%. I think a persuasive argument can be made that our workload has been increasing at a significantly higher rate, and thus we should be entitled to further recovery of our lost share of revenues. I have asked Don to obtain data from the department heads as to how we can best make our case using appropriate metrics, i.e., number of 911 calls, number of EMS/fire calls, number of building permits/applications handled, number of transactions processed, patrons served at the COA, library circulation, etc.

Any other suggestions as to how to move forward to try to reach an agreement with the schools on this issue would be much appreciated.

TOTAL AUTHORIZED BUDGETS WITHOUT EXCLUDED DEBT

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Compound Average Growth Rate		
											2006	1996-2006 CAGR	2000-2006 CAGR
TOWN	12,526,241	13,343,770	13,742,535	14,045,665	14,150,600	14,711,074	15,449,635	15,806,000	16,890,000	17,549,000	18,917,000	4.12%	4.84%
\$ Change from PY		817,529	398,765	303,130	104,935	560,474	738,561	356,365	1,084,000	659,000	1,368,000		
% Change from PY		6.5%	3.0%	2.2%	0.7%	4.0%	5.0%	2.3%	6.9%	3.9%	7.8%		
APS	11,442,000	12,414,000	13,494,000	13,602,000	14,747,994	15,825,324	17,195,000	17,681,000	18,622,000	19,320,000	20,479,000	5.82%	5.47%
\$ Change from PY		972,000	1,080,000	108,000	1,145,994	1,077,330	1,369,676	486,000	941,000	698,000	1,159,000		
% Change from PY		8.5%	8.7%	0.8%	8.4%	7.3%	8.7%	2.8%	5.3%	3.7%	6.0%		
ABRSD+	10,622,000	11,281,000	12,313,000	13,182,000	14,139,000	16,005,000	17,405,000	18,635,592	20,256,310	21,307,556	22,356,000	7.44%	7.64%
\$ Change from PY		659,000	1,032,000	869,000	957,000	1,866,000	1,400,000	1,230,592	1,620,718	1,051,246	1,048,444		
% Change from PY		6.2%	9.1%	7.1%	7.3%	13.2%	8.7%	7.1%	8.7%	5.2%	4.9%		
MM	535,000	507,000	326,000	428,000	516,000	609,000	870,000	772,000	879,000	795,000	780,000	3.77%	6.89%
\$ Change from PY		-28,000	-181,000	102,000	88,000	93,000	261,000	-98,000	107,000	-84,000	-15,000		
% Change from PY		-5.2%	-35.7%	31.3%	20.6%	18.0%	42.9%	-11.3%	13.9%	-9.6%	-1.9%		
APS + ABRSD+MM	22,599,000	24,202,000	26,133,000	27,212,000	29,402,994	32,439,324	35,470,000	37,088,592	39,757,310	41,422,556	43,615,000	6.57%	6.57%
\$ Change from PY		1,603,000	1,931,000	1,079,000	2,190,994	3,036,330	3,030,676	1,618,592	2,668,718	1,665,246	2,192,444		
% Change from PY		7.1%	8.0%	4.1%	8.1%	10.3%	9.3%	4.6%	7.2%	4.2%	5.3%		
+ ABRSD is computed as the Acton's share of the budget less Acton share of excl. debt per ALG plan													
	\$35,125,241	\$37,545,770	\$39,875,535	\$41,257,665	\$43,553,594	\$47,150,398	\$50,919,635	\$52,894,592	\$56,647,310	\$58,971,556	\$62,532,000	5.77%	6.03%
		2,420,529	2,329,765	1,382,130	2,295,929	3,596,804	3,769,237	1,974,957	3,752,718	2,324,246	3,560,444		
		6.9%	6.2%	3.5%	5.6%	8.3%	8.0%	3.9%	7.1%	4.1%	6.0%		

SHARE OF INCREMENTAL INCREASES BETWEEN TOWN AND SCHOOLS*

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	AVG
Town Yr. to Yr. Inc.	NA	\$ 817,529	\$ 398,765	\$ 303,130	\$ 104,935	\$ 560,474	\$ 738,561	\$ 356,365	\$ 1,084,000	\$ 659,000	\$ 1,368,000	\$ 558,084
Schools Yr. to Yr. Inc.	NA	\$ 1,603,000	\$ 1,931,000	\$ 1,079,000	\$ 2,190,994	\$ 3,036,330	\$ 3,030,676	\$ 1,618,592	\$ 2,668,718	\$ 1,665,246	\$ 2,192,444	\$ 2,091,506
Total Increase		\$ 2,420,529	\$ 2,329,765	\$ 1,382,130	\$ 2,295,929	\$ 3,596,804	\$ 3,769,237	\$ 1,974,957	\$ 3,752,718	\$ 2,324,246	\$ 3,560,444	
Town Share		33.8%	17.1%	21.9%	4.6%	15.6%	19.6%	18.0%	28.9%	28.4%	38.4%	20.87%
School Share		66.2%	82.9%	78.1%	95.4%	84.4%	80.4%	82.0%	71.1%	71.6%	61.6%	79.13%

SHARE OF TOTAL BUDGET BETWEEN TOWN AND SCHOOLS*

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOWN	12,526,241	13,343,770	13,742,535	14,045,665	14,150,600	14,711,074	15,449,635	15,806,000	16,890,000	17,549,000	18,917,000
SCHOOLS	22,599,000	24,202,000	26,133,000	27,212,000	29,402,994	32,439,324	35,470,000	37,088,592	39,757,310	41,422,556	43,615,000
TOTAL	35,125,241	37,545,770	39,875,535	41,257,665	43,553,594	47,150,398	50,919,635	52,894,592	56,647,310	58,971,556	62,532,000
% TOWN	35.7%	35.5%	34.5%	34.0%	32.5%	31.2%	30.3%	29.9%	29.8%	29.8%	30.3%

* Excludes Excluded Debt

