BoS Meeting
10-11-09
1-3

Town of Acton Finance Committee

DRAFT "Point of View" with Respect to FY 2009 Budget Planning

Background

- This memorandum is intended to describe the FinCom's Point of View with respect to planning for the FY2009 Town and School Budgets.
- The phrase "Point of View" has been substituted for "Budget Resolution" as some people expressed a concern that the latter phrase was too rigid or locked in.
- Our original date for delivering this Point of View was November 1, 2007 or thereabouts. This draft is being created now at the request of ALG membership to assist in making certain high level decisions at their October 15th meeting.
- This version of the FinCom Point of View will focus largely on Revenue. I recommend that the November 1 version speak also about Expenses.
- Finally, I recommend that we invite comments back from the relevant boards and administrators, so as to factor their comments into the final November 1 version of the Finance Committee's FY2009 Point of View.

Liquidity Assumptions

The following, very rough liquidity assumptions were used in creating this document.

- Free cash in the range of $1.5-$2mm
- E&D in the range of $1.0-$1.4mm
- Neswc fund balance in the range of $5.0mm, with $1mm reserved for settlement purposes and $1mm reserved for transfer station needs, yielding a net liquid fund balance of $3mm.

Anticipated Action

I plan to move approval of this Draft Version of the Finance Committee's FY2009 Point of View at the meeting scheduled for Tuesday, October 2, 2007. The following will be the motion:

Motion

I move that the Finance Committee adopt the following as a First Draft Point of View with Respect to Budget Planning for FY2009 (the "FY 2009 Point of View") and, further, that the FY2009 Point of View be transmitted to all relevant interested parties, as determined by the Chair, with an invitation to comment.

The FY2009 Point of View

General

- The Town of Acton's financial position is strong.

- Solid financial management, combined with certain sharp increases in marginal revenues (most especially Chapter 70 funds), has contributed to this strong picture.
- Chapter 70 funding is expected to continue to be strong.
- Balance sheet sources of cash, such as free cash, E&D and Neswc fund balances are providing latitude with respect to financial decisions.
- We do not foresee dramatic, highly volatile changes in other revenues from State sources.
- While the housing sector is weak, it does not appear to be having a major impact on the local or state economies.
- Sharp growth in expense "drivers" that have had a major impact on decision making, such as health insurance expense, energy costs and Sped growth, are moderating.

Revenue Split

- The revenue split plan in place should be maintained.
- Also, to be precise, "leftover, unspent dollars" from the prior fiscal year should be allocated off the top to the entity that did not spend those unspent dollars.
- The Chinitz Plan of locking in revenue assumptions at a time certain in the budget cycle, and forcing the operating entities to manage those changes, if any, has merit and is deserving of further study and discussion.

FY2009 Budget Planning

- There is no need for an operating override.
- There is a need for addressing lagging capital maintenance items, especially in the School systems ("Moderate Level Capital Items")
- Also in the planning stages is at least one very major capital project, the North Acton Fire and Emergency Services Building ("Major Capital Items")
- The Moderate Level Capital Items should be approved and funded this year, within Proposition 2 ½ limits. In other words, these capital needs should be approved and funded without using a debt exclusion override.
- The FinCom invites the Town and Schools advice on how best to structure the debt with respect to the Moderate Level Capital Items.
- The business case, including a firm cost/benefit analysis with respect to the Fire and Emergency Services capital project, is not complete. We recommend that a robust, clear business case be prepared as soon as practicable. This will be critical to our ability to respond for FY2009 budget purposes. Nonetheless, if this Major Capital Item is approved, the net fundable amount (net of any contributions or transfers) may be funded outside Proposition 2 ½ by a debt exclusion override.

Taxes

- While this Point of View has been purposely vague about the revenue stream to be allocated to fund the Moderate Level Capital Items, we encourage the operating entities to view the untaxed portion of the 2008 levy as a revenue stream for amortizing the debt with respect to these items.

- Also, we do not rule out the possibility of reserving a portion of the standard Proposition 2 ½ levy increase.

October 2, 2007
End of Draft

All:

I propose that we focus on the following at our next meeting:

I) Capital Plan
II) Revenues
III) State of the Town

I. Capital Plan:

I would like to remind everyone the decisions we need to finalize for the Capital Plan:
1) What do we plan to do for FY09?
2) How much is it going to cost?
3) How do we plan to finance these items? (one-time revenue sources, debt exclusion, etc.)
4) How will this be presented for a vote? (articles at TM, articles at ballot box if necessary)

II. Revenues

At the same time we need to begin our discussion on Revenue Estimates. These are the line items that we need to provide estimates for and the responsible parties for them:

New Growth	Town
Cherry Sheet	Schools (CH70) and Town
Excise Tax	Town
Municipal Fees	Town
Municipal Interest	Town
Regional Revenue	Schools
Regional E&D	Schools
Free Cash	Town

For all the above revenues we should report TWO numbers: what is the expected fund balance/revenue and what is the amount that we feel comfortable putting into the plan right now. Wide variances between the former and the latter should be explained. If the entities feel comfortable estimating revenues for FY10 feel free to bring those as well, otherwise we will stick to FY09.

If the group would like to use the spreadsheet model that I have given to all boards, that is fine. If you would like me to produce a version of the model with your estimates for FY09 (and FY10) then please transmit these to me prior to the meeting so that I can plug them in. If the group would like to use a different model, then please come prepared to discuss this as well.

III. State of the Town

SOTT is five weeks away. We need to decide on agenda and timeframe for materials, both presentation and supplemental.

Jonathan Chinitz