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TOWN CLERK
ACTON

DRAFT Minutes – Acton Finance Committee
Date January 8, 2008
Town Hall Room 204

Pursuant to a notice duly posted with the Town Clerk and with a quorum of members present, the Acton Finance Committee convened at 7:30 pm on January 8, 2008 to review various matters.

Members present for the meeting: Steve Noone (SN), Pat Clifford (PC), Herman Kabakoff (HK), Allen Nitschelm (AN), Kent Sharp (KS), and Pat Easterly (PE), Bill Mullin (BM), Mary Ann Ashton (MA), Bob Evans (BE).

Others Present: John Murray (JM), Jo Ann Berry, Paulina Knibbe, Dean Charter (DC)

JM presented an update regarding the results of the Town operations this fiscal year. In particular, revenues are coming in as budgeted and revenues and expenses of Enterprise funds are consistent with the budget. As of this meeting, there is \$119K left in the Snow and Ice budget. We may over spend this budget this year. BE asked if we should charge Enterprise Funds for their proportionate share of overhead. JM indicated that we currently do not have a system to do that. BM stated that JM does a good job and hopes that he'll stay. BM asked if there are any negative economic indicators. JM said that Excise Tax growth is slower than in the past and that new development is slow. BM also observed that benefits as a percent of personnel costs are increasing. BM asked what the future looked like based on current economic indicators. JM said that he does not see an immediate problem as major revenue sources are equal to expectations. AN also observed that Health Insurance (HI) costs are moderating. JM indicated that he expects that HI costs will increase at 2 ½ % or less. AN asked if we could raise fees. JM explained that under state law we can not charge more than the cost of the service. The Town will not be raising fees this year. PE observed that the Sewer fund is negative. She asked why. JM explained that this is just due to timing. PC asked if Sewer money is coming in as expected. JM said that collection of the Betterment Fee is at risk due to WR Grace not paying. When Grace comes out of bankruptcy we should get our money. BM asked how much WR Grace owes. JM answered \$3MM to \$5MM over 30 years. They are now \$300K in arrears (about \$100K per year)

DC led a discussion associated with his budget as he will not be at the Saturday review session. He explained that the cost of electricity is locked in by contract through December, 2009. Gas contracts expire the first half of next year. Due to the volatility of the cost of Gas DC does not have a good estimate as to what the costs will be after the contract expires. We are over budget for electric costs (we have spent 62% of the budget to date; we should have spent 55%). However, we expect to under spend the Gas budget, which should offset increased electric costs. BE asked about the status of the Town building. DC indicated that the building is closed and not costing much to maintain. It will be converted to affordable housing. SN observed that this is the wrong time to be locking into utility contracts. We should do this in May or June. Gas should be used for heat only. PE asked what the Town does to conserve by adjusting the temperature of

municipal buildings. DC indicated that A/C is under timer control in the Library and thermostatically controlled in the Public Safety building. Building temperatures are set at 68 in the winter and 72 in the summer. We are also insulating buildings and doing energy retrofits in some buildings. We also replaced overhead doors in some fire stations. AN observed that we are cooling the computer hub in the library while we heat the building. DC said that he is looking into using the heat from the computer hub room to heat the Library. AN asked if we had finished this year's capital budget. DC said that this year is a light capital spending year. Most essential projects are completed. AN observed that we are planning to spend \$15K on the Town building next. He asked if there is a way to put pressure on the developer to occupy the building and thus save this money. DC said that we can not put pressure on the developer because the housing market is soft and if we put too much pressure on the developer he just may back out of the deal. BM observed that the \$180K street light project will generate a \$50K per year saving. This is a 4 year return and a good project. DC indicated that we could get a state grant to help with this project. KS asked if this included all street lights in the Town. DC said yes.

BE reported that the HI rates that are set will not have to increase the reserve, just cover costs. The HI trustees will vote the rates in Feb.

SN indicated that the CPC is now considering the Exchange Hall proposal. BM indicated that it is his opinion that it is okay to use CPC money for private property, but the property should be used for a public purpose. HK is in favor of using CPC money for Exchange Hall if the owner can get the rest of the money he needs to complete the project from traditional sources. BE does not support the project because there is not enough public benefit and the project may not be feasible. AN does not like to spend public money for private enterprise. MA said that the project should go through the normal CPC vetting process. CPC money should be the last money into the project. The project needs a business plan and everything else must be feasible. KS is concerned about the restaurant being successful. The risk for restaurants being successful is high. PE agreed with MA regarding the last money in and going through the process. She also observed that this project is good for South Acton. PC indicated that we will monitor the projects through SN's reports and decide in the future if and/or when a meeting with the CPC is desired.

Guidance to ALG representatives:

BE reported that the current plan is for the new Fire Station to exit on to route 2A. This may not be possible. There is discussion of taking this project off of the warrant. AN asked if the Fire Truck is in good shape. BE indicated that it will probably have to be replaced. (The budget has it on the capital list for \$800K.) AN suggested that a joint station run by two towns, like Acton and Westford, be considered.

BM stated that the NESWC money be looked upon as free cash. The revenue split should stay as it currently is. Salary parity is not good. It is ill formed. Salary increases should be based on merit, not arbitrary leveling to an average. We should not tax to the max this year.

MA agrees with BM regarding salary parity. It should be phased in over several years, and not be done all at once. We should hire a Personnel Director to look at this proposal. MA agrees to use reserves to not tax to the max.

KS thinks that we should not even calculate a revenue split. The budget should dictate the split. Having a formal revenue split fosters separation between the municipal budget and the school budgets.

AN agrees with BM regarding salary parity. He is against not taxing to the max. Revenue sources such as Chapter 70 and NESWC are not permanent. Eventually this money disappears. We must look at lowering costs. He was surprised with the Selectmen's memo suggesting the use of NESWC funds. The Selectmen said that they would not reserve this money. NESWC money should be used for capital items only.

PE does not support the Selectmen's plan for the use of NESWC money. She is against the broad brush approach regarding salary parity. We should make strategic changes at the same time as giving raises. We should target specific areas which need salary adjustments.

BE agrees with BM regarding not taxing to the max. Tax revenue should be lowered by \$600K as BM suggests. We should hire a Personnel Manager. The ALG plan is not conservative enough regarding state revenue. The plan should be modified to lower the expected state revenue.

HK agrees with BM. In addition, we need at least a three year plan.

SN believes that the Selectmen went too far with salary parity. He agrees with the planned use of NESWC money and the current proposed revenue split. He agrees with AN regarding taxing to the max.

KS is worried about sustainability after salary parity.

BM is of the opinion that a three year plan will not work. Such a plan will inevitably show a deficit in future years.

PE moved to approve the draft minutes of the December 18th meeting.

KS seconded

Passed unanimously. BM, MA and BE abstained as they were not at the meeting on December 18th.

HK asked if we were going to ask for a place holder on the warrant to present our alternative budget to adjust the municipal budget by the value of salary parity. BE indicated that we do not need such an article as we can move to amend the budget from the floor at Town Meeting.

BM moved: FINCOM convey to the Board of Selectmen as currently crafted the salary parity proposal be reworked.

AN second.

Passed unanimously.

KS moved to adjourn at 9:52PM.

SN Seconded. Passed unanimously.

Respectfully submitted,

Herman Kabakoff
Clerk