

Finance Committee

Special Town Meeting

Oct 2, 2008

Process and Timing

Process

- Important Decision
- Needs analysis, review, and input

Timing

- Very beginning of the Budget Process
- Too Many Unknowns

The Finance Committee Voted Not to Recommend this Article

ALG Plan Update Key Points

FY10-12

- **Tax increase 2 1/2% No Additional Headcount**

FY10

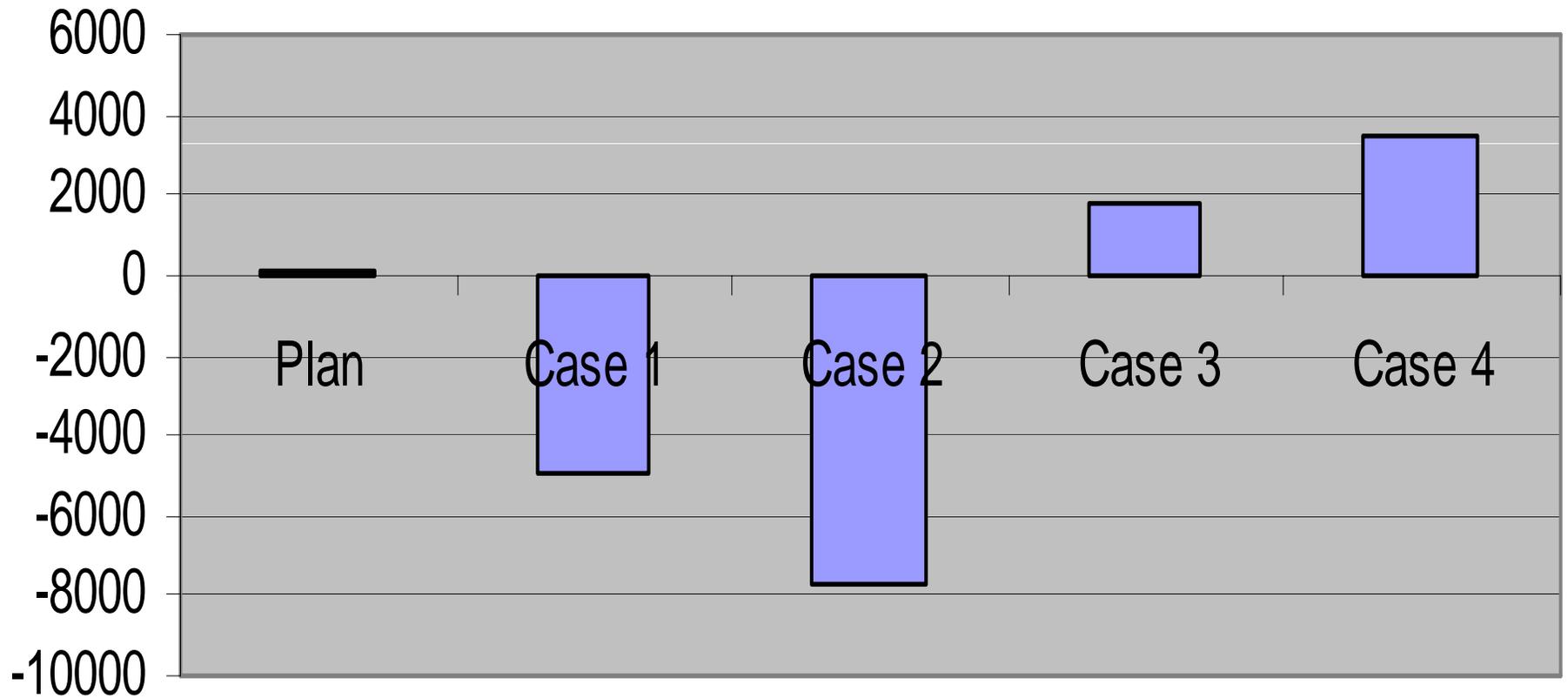
- Recurring Revenue \$79,340 + 5.3%
- Recurring Expense \$79,964 + 5.7%
- Planned Capital \$1,600
- Planned Reserve Use
 - Capital \$1600
 - Operations \$624 Less than 1% of budget

Projected FY12 Deficit

Forecasting With Uncertainty

	Plan	Case 1	Case 2	Case 3	Case 4
State Aid	10.0%	5.0%	2.5%	10.0%	10.0%
Salaries	4.5%	5.0%	5.5%	4.0%	3.0%
Health	10.0%	11.0%	12.0%	9.0%	8.0%
Utilities	7.5%	8.5%	9.5%	6.5%	5.5%
SPED	10.0%	11.0%	12.0%	9.0%	8.0%
Transport.	5.0%	6.0%	7.0%	4.0%	3.0%
Inflation	3.0%	4.0%	5.0%	2.0%	1.0%

Effect Of Uncertainty Cumulative FY10-11 (\$000)



Which Assumptions are More Realistic?

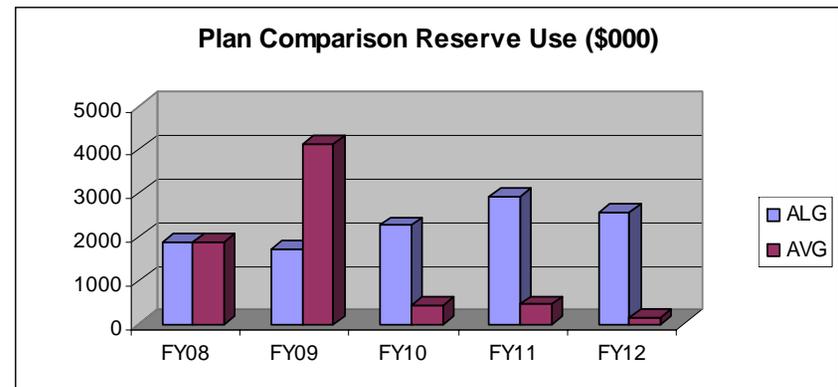
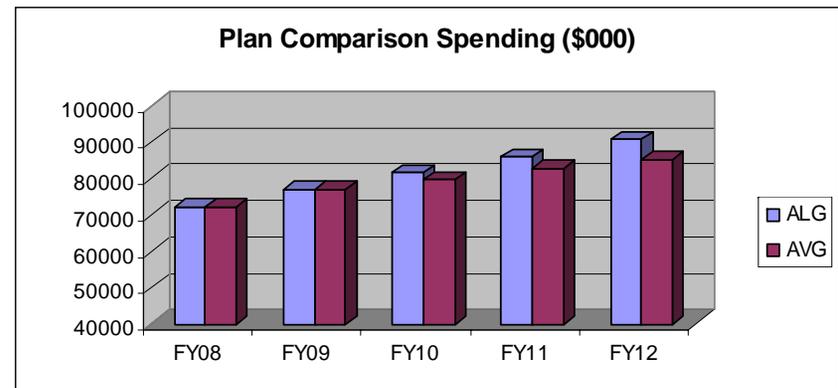
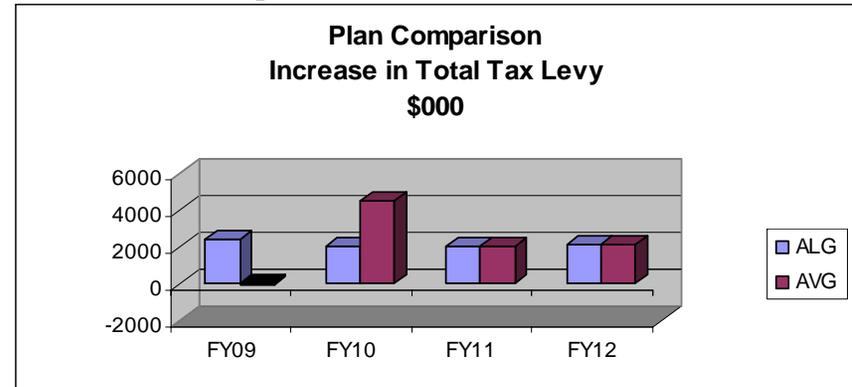
	ALG Plan	3.9% Plan	
Salary	4.5%	3.5%	Factoring in existing agreements, even with 2.5% and 0.5 % Steps There would still be 3.5% growth
Healthcare	10.0%	4.0%	HMO Family Plan increased 12% per year from 04 -08
Utilities	7.5%	4.0%	Elec. Cost per KWH increased 14% and Natural Gas 16% year from 04-08
SPED	10.0%	4.0%	
Transport	5.0%	4.0%	Gallon of gasoline has increased 22% per year 04 -08
Inflation	3.0%	4.0%	Currently running at 5-6% ahead of last year
Total	5.4%	3.9%	

ALG AVG Plan Comparison

No Long Term Tax Relief

You Will get Less Service for the same Taxes

Reserves will be depleted at the most crucial time



Risk and Return

Assumption of greater risk only makes sense if it may result in a greater reward

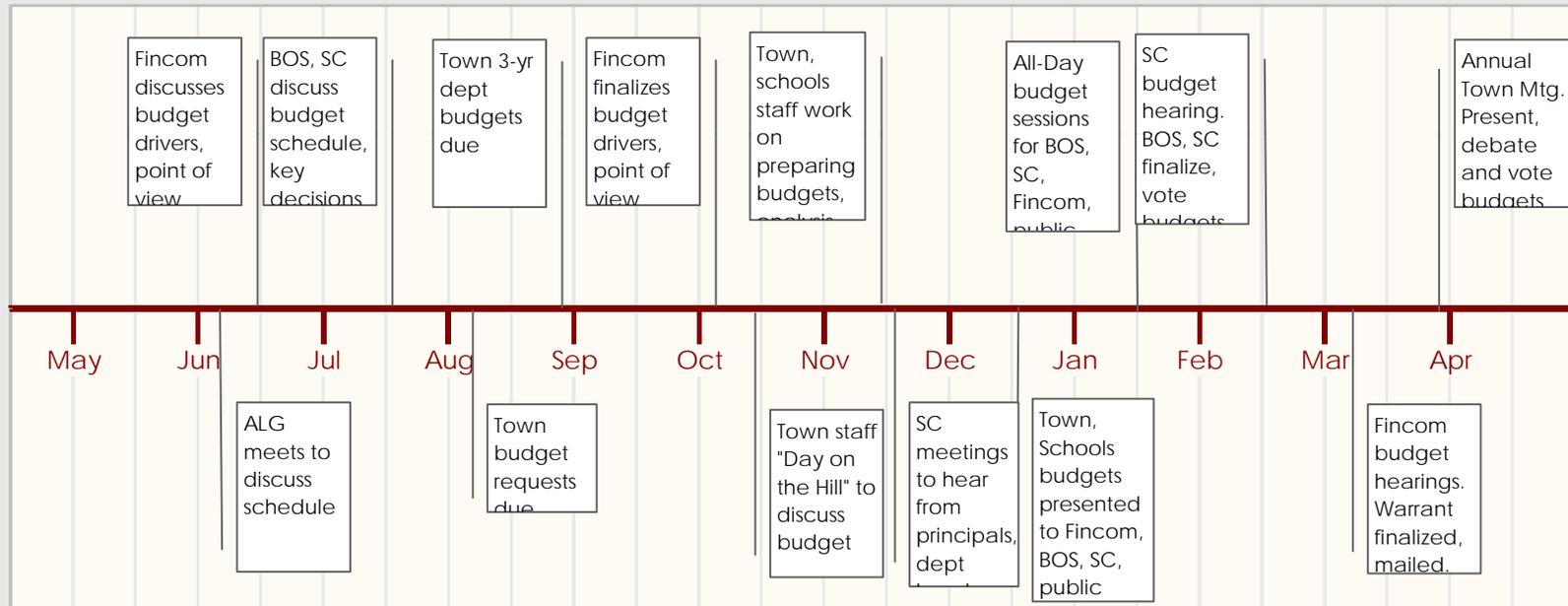
There is Risk to both the ALG and AVG Plans

- **The AVG says smaller reserves are OK to manage risk.**
- **That's what Sallie Mae, Freddy Mac, Lehman Bros., Merrill Lynch and AIG said**

The AVG Plan removes \$2.4 million in Reserves increasing the risk of a tax increase or cut in services

Budget Time Line

Budget Process



At least 25-30 opportunities to learn about budget, offer and hear public participation.

Acton Leadership meets at least monthly June through March, to share information, hear feedback from each board.

Each Board meets at least bi-monthly June through March to discuss budget drivers, priorities, develop and discuss budgets, input from public, other boards, staff.