

## **ALG Minutes, September 24, 2015**

Present: Bart Wendell, Facilitator; Katie Green and Peter Berry, Board of Selectmen; Margaret Busse and Mike Majors, Finance Committee; Kristina Rychlik and Paul Murphy, AB Regional School Committee; Steve Ledoux, Glenn Brand, Steve Barrett and Marie Altieri, staff.

Audience: Janet Adachi, Franny Osman, Charlie Kadlec, Brian McMullen, Clare Jeannotte

Extra Information: New ALG Plan Summary Sheet; Draft ALG Calendar; Presentation Slides: Update on Comparable Communities Analysis, September 2015.

### **1. Minutes for August 20, 2015**

Minutes for August 20, 2015 were unanimously approved.

### **2. Update on FY16 Revenues and Expenditures and FY15 Year End**

Glenn Brand said that the first payroll for school year (FY16) was run this week and will be analyzed. The audit for FY15 is wrapping up, and there are no changes from our last ALG meeting. The budget process for FY17 is about to begin.

Steve Ledoux said that FY16 is on target so far. For FY15, Steve Barrett just sent out the Free Cash certification number at \$7,664.931, with fund balances for Sewer, Septage, Recycling/Transfer Station, and Ambulance Funds. This does not include the \$2 million that we put into stabilization fund and authorized for use at the August Special Town Meeting. The town will begin its FY17 budget process in mid-October, so that Manager budget can be presented in December.

### **3. Review of Spreadsheet**

Marie Altieri said that she and Steve Barrett reviewed the feedback from the last ALG meeting and tried to streamline spreadsheet to meet comments from ALG. These two met with Brian McMullen and Clare Jeannotte to work through some changes in the spreadsheet. The summary sheet shows Municipal Funding Sources in top few rows; ABRSD funding in next few rows. Then follow rows for municipal spending and ABRSD assessment, with total Acton spending and net position. They continued to include the tax impact, as this was stressed by ALG members. Looking at the column headings across the top, FY15 is from Tax Recap; FY16 is from Town Meeting budgets; and FY17 is a projection. Steve Barrett added that this group of four met twice. They would like some feedback on this form – is this the format we can use going forward? He added that Brian is also taking notes to be sure we get as much feedback as possible.

Discussion: Mike Majors and Margaret Busse both indicated they liked the new format. Margaret would like to review the funding sources again, and asked for clarification that ABRSD includes total revenues for the district, not just Acton's share (Marie confirmed this was correct). Margaret asked what are "Other Revenues (Assessments)"? Marie answered that these are mostly Charter School and Choice assessments. Margaret asked does that mean that we are sending out more kids than we're taking in? Marie responded that the ABRSD assessment is for Acton only, and includes the revenues. Margaret suggested that maybe we should note that assessment is only for Acton and funding sources come from somewhere else. Marie added that the backsheets of the workbook contain all the details, and this was distributed electronically ahead of the meeting, so people could look there for more specifics. Margaret asked whether eventually these numbers will tie into the workbook, and Marie responded yes. Katie said she liked the new format a lot, and found it much easier to read. She asked whether the intent was to pull out OPEB for this year? Marie said that the backsheet with detail is still there, and if there were one number we were going to put on the front, what would it be? Steve B said the group had a spirited discussion about what that OPEB number would be – is it just the separate contributions, or would it include other items that each contributed to OPEB? Katie said that is true, but sometimes we've used that extra OPEB contribution as a rationale for use of reserves. Paul echoed what Katie was saying; he thought he had seen in the minutes that we were going to pull out the OPEB number for now. Kristina suggested people refer back to the minutes from August 20 about what was said and the explanation about why it changed. Steve B asked that the group kick this around again and bring back a suggestion.

Bart: Other than OPEB, does silence mean the group is comfortable with this format? Yes.

Mike Majors has some questions about specific numbers in the workbook, especially concerning what assumptions are being made about how the unused tax levy gets used, and how the Walker Realty purchase gets factored in? Marie said that right now the numbers for the "out years" are the same projection we agreed to at last Annual Town Meeting. Steve B said we need to build a stabilization fund into the reserves. Marie said that all those decisions and assumptions will be made throughout the process by the boards; the plan for now is to get the model set up so that the boards can begin to fill this in as the year progresses.

#### **4. Update on Tri-Board Meeting**

Kristina: We do not yet have a date for the meeting (probably sometime later in October), but Beth Petr has asked Fincom and BOS to find best dates for their groups. We had been talking about this meeting as a social and a budgeting discussion. We now have another suggestion based on the ABUW Community

Needs Assessment, and wondering whether that would make sense. They presented to the school committee last week; results are thought-provoking. Maybe we could have that presentation again, and use that time together to reflect on the findings. It's a change from what we've been planning. Timing would be 7-9 with desserts and coffee ahead of time.

Margaret asked if Kristina could remind them of what the possible topics were. Kristina said they had been planning on "Budget 101" – promoting a better understanding about issues and budget development given how many new board members we have. Other idea would be a presentation on the Community Needs Assessment ABUW, and how the boards might respond. Marie said that the school district leadership had focused on the Community Needs Assessment. They received a presentation about the results, and then broke into groups and discussed what it means. The school district leadership focused on what can we do to make our service more effective and how can we better disseminate the information? Margaret asked whether Budget 101 training would be about how to do budgets, or is this just saying "this is where budgets are." Margaret likes the idea of the ABUW presentation. Steve Ledoux said he thought the other thing we talked about was each board talking about their goals. Kristina said she thinks the group needs to choose one concept or the other. Katie agrees that we need to choose; personally she likes the idea of doing "Budget 101" in the fall before the budget process, and maybe defer the ABUW topic until the spring. She thinks that the topic was more what Margaret said: what drivers form our budget, and how do the budgets fit with our goals. Marie said she thinks the group should stick with the budget concept, and maybe the chairs could talk offline about ABUW. Perhaps there could be a joint presentation and a chance for everyone to talk about this at a later date. Margaret said she misunderstood the task, and if we're choosing then we should stick with Budget 101.

Bart offered his suggestion that the planning group think about putting the unstructured time in the middle so that everyone comes on time, and takes a break.

##### **5. Update on Fall Town Meeting**

Steve L. indicated that the BOS will make a decision about a STM in the fall on October 5. Kelley's Corner group has said they need more time, but there are some other matters that may need a meeting. Kristina said there's a citizen's petition about the district's use of Common Core, and they would add this to a TM. Katie has been in touch with the person organizing the petition, and he said there's a timeliness to a fall TM discussion (prior to Board of Education vote on November 17 regarding use of PARCC vs. MCAS, because PARCC is more tied to Common Core standards). Mike is concerned that there's not enough time for voters to be informed about the issue between October 5 and November 10. Is this something urgent that

needs to be done this fall? Peter Berry said the state has been concerned about the wastewater issue, so yes, this is urgent.

## 6. Proposed ALG Calendar

Steve L. distributed the draft calendar, which he said used the format from prior years and updated the dates for when ALG (and the boards) need to make key decisions. Revenue forecasts will be in October. Marie said that the group had taken the split discussion off the spreadsheet, and think it should be taken off the calendar. Steve L. said that the action of prior ALGs do not bind the current one. Margaret asked what the split means; Steve L. responded that it used to be more how ALG talked about how revenues were divided between the town and the schools but more recently ALG groups have moved away from a discussion of this. There was a clarification that a date on the calendar should be changed from 2/24 to 2/25.

## 7. Comparable Communities

Marie introduced the Update on Comparable Communities Analysis that Peter Ashton had completed. She said that the group had talked in the summer about updating this analysis, and Peter (who had previously done this work in 2008) agreed to update the analysis. His slides present his methodology and findings, but Marie walked through the presentation with members. He used Department of Revenue data to select communities that were deemed similar to Acton according to location, population, personal income per capita, equalized valuation per capita, size of operating budget, number of parcels, size of tax levy, education spending, and bond rating. To be considered “comparable” a town had to be within the 20 closest to Acton (10 above and 10 below); this represents about 5 percent of the communities in the state. The towns selected include: Belmont, Concord, Dedham, Harvard, Hingham, Marblehead, Milton, Sudbury, Westford, Weston, Wilmington and Winchester. Additional Peter evaluated the school districts that the Department of Elementary and Secondary Education considers comparable using quite different criteria (largely demographic and education performance-based). For school district comparison purposes, the list includes the following school districts: Belmont, Concord/Concord-Carlisle, Dedham, Harvard, Hingham, Marblehead, Milton, Sudbury/Lincoln-Sudbury, Westford, Weston, Wilmington, Winchester, Nashoba, Needham, Reading, Wachusett and Wellesley.

Discussion: Steve L. said he doesn’t see much commonality with Harvard, and much more commonality with Bedford. He said we’ve never particularly used this in our ALG process, so not really sure what the purpose is. Kristina said she found it very helpful to have this looked at. From the school perspective, we do use comparable communities, and it’s nice to have data to point to. Margaret agreed

that this is great to have, and we do talk about this and it's helpful to have a benchmark set of communities. She said she was surprised that Littleton doesn't make the list. Peter Berry asked whether the group is being asked to come to consensus about what are the comparable communities. Mike said that from the Fincom perspective this is very valuable. Kristina wanted to thank Peter for doing this work.

#### 8. **ABRSD OPEB Valuation**

Marie said that every two years the town and schools perform a revaluation of OPEB liability going out two years. The one recently completed for the school district is for December 31, 2014, and the town's is still in process. Bottomline liability is \$41 million for ABRSD. There's lots of shifting of retirees last year, but really need to have the Acton town numbers in order to put this together. Three major drivers (fourth is movement of people): use of EGWP resulted in significant savings also helped reduce the OPEB liability; discount rate was 7% last time and 5% this time (did not help us), and the money that town and schools have put away is helping us. Steve L. indicated the Town of Acton valuation will be done by this time next month.

#### 9. **ABRSD Moody's Bond Rating**

Marie said that in the middle of the school district's audit the Finance Director received a call from Moody's that they wanted to review ABRSD bond rating. The region has a AAA bond rating from S&P, as does the town of Acton. The Moody's rating is now a AA2 rating; fund balance is not as healthy as it was a few years ago. They affirmed the AA2 rating, but rated it with a "negative outlook." They will review again in 18-24 months. Marie went through some of the history for the group. Several years ago the Region was bumping up against the 5% limit on the amount of reserves that a regional school district can hold, so the School Committee intentionally used some of the reserves to lower the amount in E&D (Excess & Deficiency account), and thus lower the assessments. With combined region, the amount of E&D is far under the 5% cap. This is an indication that the Region needs to lower its dependence and draw on reserves. Mike agreed that this is probably a good wakeup call, and probably the same thing could be said about the town; not good to rely on reserves to balance budgets. Steve L. said the town's experience is that Moody's doesn't understand Massachusetts municipal finance. Marie concurs with this assessment, and noted that Moody's would only look at unrestricted balances but not the OPEB account, which is restricted. Paul asked whether from Moody's would it be reasonable to conclude that they would have evaluated differently if we had put money into E&D rather than OPEB. Marie responded that it was hard to tell. Peter asked whether there is a practical effect of this? Are there capital bonds that need to be financed soon? Marie said that there are no plans at

the moment, but potentially in the future. Clare Jeannotte addressed the group, and agreed that Moody's is correct to exclude OPEB fund, but when we look at the whole thing, we've been able to ramp up our funding for OPEB by building this into our base budgets and make this sustainable.

**Public Comment**

None.

Adjourn at 8:55.

Next meeting on October 29.

Submitted by Mary Ann Ashton, Secretary pro tem