ALG Minutes January 7, 2016

Present: Peter Ashton, facilitator, pro-tem; Paul Murphy & Kristina Rychlik, SC; Mike Majors& Margaret Busse, FC; Katie Green & Peter Berry, BoS; Steve Ledoux, Glenn Brand, Steve Barrett & Marie Altieri, staff.

Audience: Janet Adachi, BoS; Clare Jeannotte & Brian McMullen, staff; Charlie Kadlec & Allen Nitschlem

Extra Info: New ALG plan

Minutes Ok'd

2. Update of FY16 revenues and expenditures

Steve L: we have gone through ½ of the year and everything is on schedule. We are focusing on FY 17 and waiting for the Governor's budget which is due in two weeks. We expect to get a preview from the MMA. Its good there has not been a lot of snow.

Glenn: I'll echo what Steve said. We have just finished the ¼ report for the second quarter.

Peter B: Do you expect and mid-year cuts?

Steve L: There will be some 9C cuts but we have been told they will not be in local aid.

Katie: It always seems that regional transportation is still cut.

Marie: Legislation has been filed by the governor so he would be able to cut regional transportation as a 9C cut. The SC is watching this, to see what will happen.

3. Spreadsheet

SB: We've put in the numbers from the town and schools budgets---before that we were using the estimates from the prior year. The town lost $126k while the region has a gain of $294k. We have a $502+k positive position.

Marie: Underneath is the use of $2.6m in reserves and taxing to the full levy. Since we are using real budget numbers we can start to talk about the percentage $500k usage and the levy and reserve use.

Mike: The FC has not agreed to the use of $2.6M of reserves. That is contrary to our POV.

Paul: Assuming there is no change in transportation; do we see any other state cuts?

Clare: The budget numbers are already based in part on an adjustment of a reduced expectation from the state. We have recommended that there be a reclassification of offsets for choice and charter costs which are part of the cherry sheet. We think this will lead to greater transparency.

4. Revenue projections

Without having the governor's budget it is difficult to come to any consensus on revenue projections. The group was not comfortable in going forward with trying to get a consensus.

Marie: Ch., 70 is an unknown. We hope its $25/student but there has been talk about its being $20/student. Since we have declining enrollments……

Margaret: Aren't there efforts to change the reimbursement?

Paul: there is a joint commission working on the problem of circuit breakers we do not know when they will report.

Clare: The commission has no expectations for this year's budget cycle. They are working on the foundation budget which is complex and will require legislative action.

Katie: I'm comfortable with the conservative estimates on the state's part and keeping the numbers low.

Peter A: Can we reach a consensus on these numbers at least for the next two weeks?

Margaret: there is just not enough information.

Peter A: so do we have a "consensus" for the next two weeks? Now the number is on table 6

5. Reserves

Peter A: We can begin the discussion and flesh out the viewpoints

Katie: I can see where the line is for town reserves but where is the line for E&D? When we talk about using the $2.6M it seems we are only talking about town money. Can it be restructured so we can see how they are working together?

Marie: We used to have them together and we took them apart. This way it's clearer with the total being $2.8 with the addition of the regional number. We have to be careful about E&D years ago it was healthy at $1.9m and we had to reduce it because of the percentage of the total budget. Since we have regionalized it's now a smaller percent and we have to be careful to work to increase it in light of the Moody's recommendation. We have to build up the balance since its now only 1.25% of the regional budget.

SB: We need to work on the reserve tabs. The free cash has been certified at $7.7m on 06/30/15 and we have to add the stabilization fund.

Margaret: Does that mean there is only $3.2M left?

SL: We used the stabilization for the Walker property and then replenished it.

Peter B: the stabilization fund is separate. The free cash was certified at the end of June at $7.7M and we are using $2.6m which means it's down to $5.1M

Margaret: we are using massive chunks of reserves this is something that the FC is against. In our POV we say that we will need an override in a couple of years. Five percent of total spending is considered a healthy percentage to keep in reserves by the DOR. We don't want to put our AAA bond rating at risk, so we need to structurally change our budgets.

Mike: we are using $1M more than last year we have to stop using the reserves like this. The SF tax bill will increase 5.6%. There is no justification for the increase as you say it's a level service budget. We cannot continue to dip into reserves---at least not at this rate.

Katie: if you look at the budget you'll see the $502+k. What is your priority; lower the use of reserves or not tax to the levy limit?

Margaret: We will need to consult with our committee in order to decide how to allocate the apparent extra $500k, and looking beyond that at any other savings that we determine from this current budget—how those numbers will be allocated as well. We have to bring down the budget numbers.

Paul: I disagree with that philosophy of cutting, at least on the school side. We have a population that requires added costs not reduced costs. Why not do an override now and not cut costs?

Kristina: look at the reserve position and every year it changes. Hopefully we will be more reasoned in talking about the budgets; we cannot say what will be needed in two years. We have gotten away from using the term level service. Instead we develop strategic budgets making cuts in some areas to add programs or services in other areas.

Katie: we both have shifting populations that need greater services and need new services. The money may be level but the service needs are not.

Paul: the services are not akin to newspapers—we are dealing with the fundamental health and welfare of the people who live in town.

Marie: the question is still one of fewer reserve use or lowering the tax levy. We have had several years now of not taxing to the max and there is no way was can go for an override if we do not tax to the max. It's a Hobson's choice: but both sides will continue to work on tightening budgets.

Margaret: It's just that we are using such big chunks of the reserves because we cannot balance the budgets. What happens when the reserves diminish? They have been replenished by unexpected windfalls. We should try not to rely so heavily on our reserves.

Peter A: It sounds as if you need to go back to your committees and discuss the following issues:

1. What to do with the $509k—redirect it to reduce the levy or lower the use of reserves?
2. For FY 17 & 18 what level of reserve usage are you folks comfortable with? What level of service impacts can you have?

*****It was agreed that the committees would discuss these issues and be ready with answer for the next ALG meeting. Steve Barrett will also work on the accuracy of the "reserve tabs" in the plan.

Kristina noted that currently the FC POV asks for a 5% level for reserves and the ALG plan currently shows that that level is exceeded.

Clare noted that with the combination of the region and the town's reserves there was a better than 5% level.

Margaret: It may be the case for this year with the use of $2.7M but it's the trend that is of a worry to the FC.

Paul: In 2011 you said that by 2014 the reserves would be $0. That did not happen. You [FC} were wrong before, you can be wrong again. I look to the FC for wisdom and what I hear is fear.

Margaret: I just think we are not being prudent. The reserves have been propped by one-time windfalls and we need to give a break to the taxpayers and be more fiscally prudent.

SB: we need to remember that the ALG plan is the worst case scenario. Our actuals have been less than the projected numbers. The model makes some assumptions that put @$600k into replacement.

Marie: I have suggested in the past that replenishment be $1M

The conversation started again until Peter A suggested that everyone had "their marching orders "to prepare for the next meeting

STM---Steve L announced that there will be a special Town Meeting on Feb 2 with one article dealing with the amendment to the Minuteman Tech regional agreement. Katie said that the selectmen and MM super will do a cable TV show to explain the article. They recognized that this is another surprise event.

Public

Mr. Kadlec asked why the FY 16 numbers were an estimate. SB said he'd correct that. He also said that social security increase was 0% and that gas was cheaper and he wondered why these savings were not reflected in the towns or the region's budgets.

Allen Nitschlem asked if there was any consideration to move the percentage of health care costs to the employees. He suggested that they pay 30% instead of 25%.

Steve L: noted that there was a "working group" dealing with this issue but he stressed that it was also a Union contractual issue and could not be implemented without the agreement of the unions. They are in negotiation right now for contracts that will expire on June 30th and one that expired last June 30th.

Kristina noted that the schools are also working on this issue. The was reconvened last year with great success with the EGWP, lowering retiree health insurance costs. It does relate to union negotiations as well.

Margaret asked that the FC be put into the loop and hoped that they would see the numbers before things were totally settled.

Peter B: said that FC member, Bob Evans had the information that she needed and the FC should ask him for a report.

Adjourned 8:40, Next meeting is Jan 28

Ann Chang