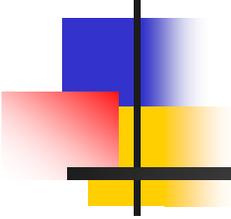
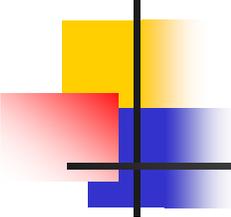


# **Vote NO on Article 1 to Preserve Our Financial Future**



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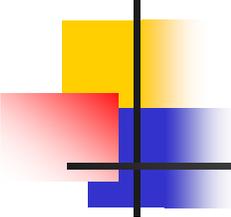
Special Town Meeting  
October 2, 2008



# Overview

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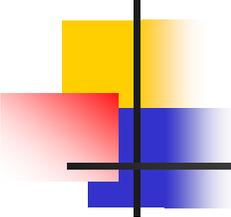
- Why the AVG Proposal is not right for our town
- Board of Selectmen's Point of View
- Finance Committee's Point of View
- School Committee's Point of View



# Evaluation of AVG Proposal

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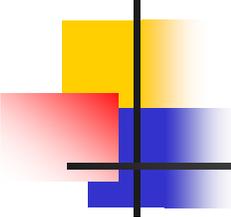
- Economic times are difficult but this is not the right solution
- Not connected to any realistic budget numbers
  - April Town Meeting Three-Year plan preserves reserves in face of uncertainty
  - Any use of reserves requires Town Meeting Vote



# Current Economic News Worse than April

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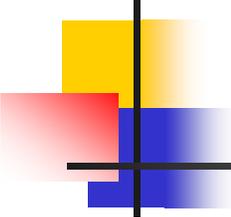
- State budget shortfall over \$1 billion
  - Tax collections down \$250 million in September alone
- Possibility of cuts to local aid this year
  - Not ruled out by Governor or Legislature
  - Local aid cuts next year highly likely
- November Ballot Question #1 increases likelihood of local aid cuts this year



# AVG Proposal is Bad Timing

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- AVG proposal revisits votes of last April
- Economy very uncertain and likely worse next year
- Follow the budget process
  - Assess current financial position and evaluate FY10 tax increases
  - \$600,000 reduction last year
- \$2.4 million proposal is **not** prudent

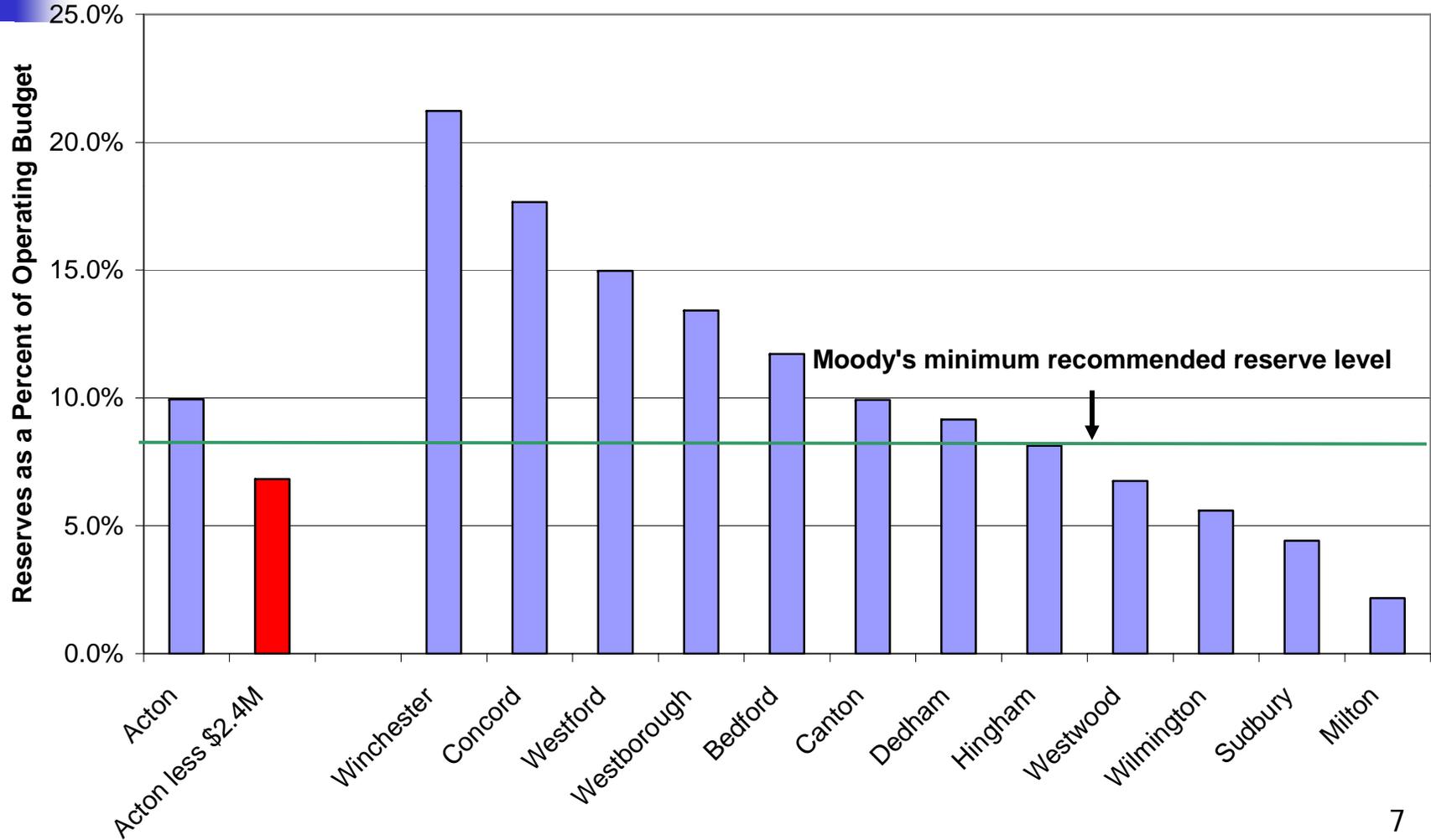


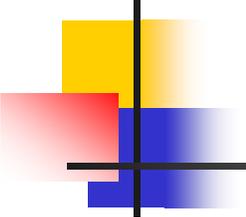
# AVG Says 5% Reserve is OK

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- Moody's and S&P disagree:
  - Moody's suggests reserves equal to 5-10% of revenues or 1-2 months of expenses (8.3%)
  - S&P "expressed concern about the 5% guideline that many states use . . ."
    - S&P considers reserve fund balances of 15% to be "strong"
  - Our current reserve position in line with others

# Reserve Position of Acton and Comparable Towns

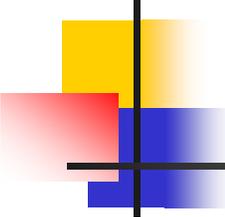




# Distributional Effects of AVG Proposal

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- Largest commercial taxpayer gets a tax reduction equal to that for 75 single family homes
  - The lower the home value the lower the benefit to the taxpayer
- Let's look at other, more direct ways to help those in need



# AVG's Three Year Plan

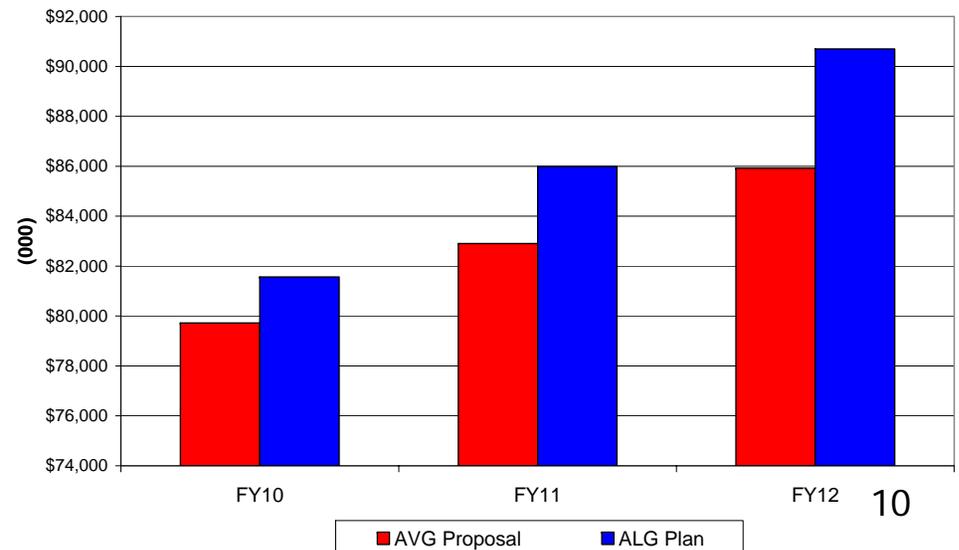
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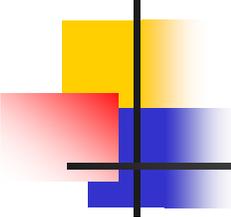
- Uses reserves to fund operations
- AVG's plan will increase taxes by 6.27% next year (\$504 for average home)
- Next year's (FY10) *tax bill* will be the same regardless of the plan
  - **ALG** plan shows an increase of 2.11% next year, given 4% increase this year
- Why trade off \$330 now for \$2.4 million in reserves for the future?

# AVG's Three Year Plan

- AVG 3 year plan's budget increases average 3.8% vs. 5.6% in ALG plan
- Budget reductions of \$1.8 million, \$3.1 million and \$4.7 million required relative to ALG plan
- True intent of AVG proposal is revealed
  - AVG plan requires cuts in staffing and services

Comparison of Future Budgets: ALG vs. AVG

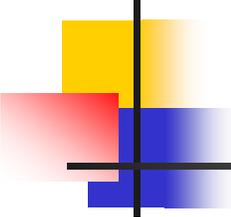




# What History Teaches Us

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- Historical budget increases in periods of no growth or cuts were 4.75-6% (e.g., 1998, 1999, 2005, 2006)
- Only year below 4% was 2003, when budgets cut and positions eliminated
- Cannot sustain budgets with increases of less than 4%



# Vote NO on Article 1

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**Preserve Our Financial Future  
in These Uncertain, Risky and  
Volatile Times**