

Minutes of the Acton Finance Committee Meeting NOVEMBER 29, 2011 7:30 pm –
Faulkner Room, Acton Town Hall

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 p.m. on NOVEMBER 29, 2011, to review various matters.

Members Present: Mary Ann Ashton, Maynard Brandon, Patricia Clifford, Robert Evans, Paulina Knibbe, Steve Noone, Clint Seward, and Doug Tindal.

Members Absent: William Mullin

Also Present: John Murray, Assistant Town Manager, Steve Mills, School Superintendent

Acting Chairman Tindal called the meeting to order at 7:30 pm. There was no response to the invitation for public participation.

Minutes: Consideration of the Minutes of the previous meeting was deferred.

School Financial Update and Outlook: The Chair introduced Dr. Steven Mills, School Superintendent, to present an update on current finances and insights into the FY13 Budget. Dr. Mills observed that this is the third year the schools are looking at a level service budget and that last year allocated reserves were offset by turnbacks. A strategic plan has been completed that will guide the FY13 Budget. In addition to level service funding for operations, the School Committee will consider an Investment Budget that will focus on people, technology and professional development. Issues of concern include responding to the NEAS comments, focusing on the student/teacher ratio in the English Department at AB, and counseling. A level service budget for the Region increases by 3.4%, which includes \$260-\$270 thousand for the Lower Fields project; level service for APS rises approximately 3.1%. The budget strategy will be to use about 2 percent of the 5 percent allowable (\$1.9 million) E&D funds with the expectation that about one percent will be replenished.

In response to Mr. Seward's question about OPEB liabilities, Dr. Mills acknowledged the problem and expressed the notion that the HIT might become players in a resolution. He stated \$5 million is not available within the school budgets for funding.

In response to Mr. Noone's question about the return on the Investment Budget in light of the system's high current ratings, Dr. Mills asserted that there is a need and the potential for value added and that it is a legitimate goal to get some relief for staff.

Mrs. Ashton asked if the level service budget included positions added in the spring of 2011 and received confirmation that two positions and increased classroom assistant funding are reflected in the FY13 level service proposals for ABRSD and APS respectively.

Explaining the mechanics of the replenishment of E&D for Mr. Brandon, Dr. Mills said that the School Committee had voted to direct its ALG members to propose \$700K use of E&D and that the replenishment would be through normal budgeting turnbacks.

Mr. Tindal expressed concern that a level service budget increasing at three percent is not sustainable and raises concerns about the value of spending additional funds vs. performance vs. the hit on taxpayers.

ALG Discussion: The Chair recognized Mr. Murray who reviewed the information he and Don Aicardi presented at ALG on revenue assumptions for FY13. He reported that subsequent work by the Town's budget working group had changed the level service budget increase to less than five percent. One factor was the decision to add no new positions even to maintain services. He also pointed out that the Chapter 70 assumptions were subject to two additional variables: the increased proportion of the number of Acton students at the Region and overall declining enrollment trends.

Mrs. Clifford explained that ALG representatives had agreed to take three questions back to their respective committees: taxing to full 2 ½ percent levy limit capacity; amount of reserve use and the funding of OPEB in the Town and Regional budgets. As these topics overlapped the agenda item on the draft Point of View, the Chair entertained a broad discussion.

OPEB: Mr. Noone summarized the current position of the Finance Committee as agreeing that funding was necessary this year, and argued that the OPEB Subcommittee advocated about \$2 million be placed in a trust based on an annual funding liability of \$5 million shown in the Segal report. Other members commented on the size of the total liability of \$100 million vs. the annual budget of approximately \$80 million; the need to understand the combined liabilities with the RSD estimated at as much as \$10 million (both groups) annually; the estimated investment return for funds in a trust of 8 percent imbedded in the report calculations; the recurring biannual reports that provide for adjustments going forward; the potential for total liability reduction if health insurance coverage changes.

Members discussed the need to put a place holder in the warrant to set up an OPEB trust. Mr. Murray explained the limitations on the types of investments that are statutorily permitted; Ms. Knibbe asked what would happen to the liability for the APS teachers if the elementary schools became regionalized. Mrs. Ashton advocated for more public education to improve awareness of the liability, especially in relation to the current level of services. Mr. Evans suggested that the State's mechanism in place for retirement funding might well work for health insurance liabilities and recommended looking for ways to get a similar option created by the legislature. Ms. Knibbe felt that the funding contribution could be committed outside the budgets since it is a new cost and would have an immediate unplanned impact on services. Mr. Seward and Mr. Brandon both supported funding at the earliest possible date. Mr. Tindal reiterated that full funding of the ARC was not feasible and urged a conservative approach with a politically cognizable number. Mr. Evans suggested that the impact on services would be buffered by two potential sources: lower rates from the HIT estimates and potential savings with new health insurance plan design.

Mrs. Clifford moved that the Finance Committee request a placeholder in the Annual Town Meeting Warrant for an article establishing an OPEB Trust to be funded at the level of \$500 thousand as expressed in the draft Point of View. Mr. Noone seconded the motion which was adopted unanimously.

Health Insurance: The Chair continued discussion of other areas of concern in the draft POV. Mr. Noone observed that since the BOS had deferred a vote on Chapter 69 until February 6 further discussion was unnecessary at present.

Nursing Service: Mrs. Clifford reported that the finances for the Nursing Service continue to fluctuate and decline overall, however, a staff report to the BOS suggested that another month of data might provide a better picture of the immediate future. Mr. Evans asked for more information on why the expense to revenue ratio is 2 to 1 particularly in relation to overhead and volume of business. Mr. Tindal suggested the language in the POV was too strong; Mr. Murray reported that staff had met with Town Counsel to understand implications for closing the service. . It was the consensus of the committee that the POV language regarding closing the Nursing Service should be deleted, and replaced with a more general statement.

Taxation to full 21/2 Percent: In response to the Chair's question on behalf of ALG about the necessity to utilize fully the maximum taxation limit, Mrs. Ashton said it should be done in a future year. Ms. Knibbe agreed that it is important to go to the full 2.5 percent, but that the unused \$293 thousand should not be recaptured in the FY13 revenues.

Reserves: Mr. Noone said that in FY11 the operating entities showed that they did not need allocated reserves and believes that including them in a budget is a crutch which masks the longer term consequences of decisions. He moved to set the use of reserves for operating expenses in the Point of View at zero dollars. Mr. Seward seconded the motion. In response to Mrs. Ashton's question, he said that OPEB funding was not included in this motion.

Ms. Knibbe said that although she believes we may be seeing some relief from the recession and that a smaller number might be appropriate she was not comfortable with going to zero. Mr. Seward said we should plan for the worst and husband reserves by matching expenses with revenues. Mrs. Ashton said while although she was sympathetic to the idea behind the motion she would not support it as there are other needs that have not been met. Mr. Tindal said that the ALG spreadsheet raises questions about the sustainability of the budgets in FY14 and FY15 in the face of significant continuing downward economic pressure. Mrs. Clifford said that we have warnings about financial difficulty in a number of programs including nursing and the van service and need some clear policy direction to continue to support the requested level of reserve use. After discussion of potential amendments to the motion, the vote on the original language was three ayes (Noone, Brandon, Seward) and five nays (Evans, Knibbe, Ashton, Clifford, Tindal).

Mr. Seward said he believed the Finance Committee needed to give guidance to the Boards and moved that the total reserve use for FY2013 not exceed \$1 million. Mr. Noone seconded. In response to Mrs. Ashton he said this number is not exclusive of OPEB.

Mr. Evans asked that staff provide a simple net reserve use chart that would help the various boards argue their reserve request positions.

The motion passed with seven ayes (Seward, Noone, Brandon, Clifford, Evans, Knibbe, Tindal) and one nay (Ashton.)

The committee discussed a number of other editorial changes to the Draft Point of View and agreed to review a clean draft to be circulated by the Chair in the expectation that it could be presented to the School Committee at the December 1 meeting and subsequently to the Board of Selectmen for their December 5 meeting and ALG on December 8.

Mrs. Clifford moved that the Chair proceed with the modified Point of View as directed. Mr. Noone supported the motion which was unanimously adopted.

White Paper Project

Mr. Noone distributed a written report of the scenarios developed by the Long Range Plan subcommittee for discussion and comments at the next meeting.

Committee Reports:

Senior Center (Knibbe)	Has reworked design process and will request about \$150K for phase one less than previously anticipated; will visit committee in January/February
2020 (Knibbe)	Presenting to BOS on 12/5 list of 20 priority issues; one more public outreach session planned
EDC (Tindal)	Working with HDC on sign bylaw issues, especially pertaining to West Acton
HIT (Evans)	Meeting 11/30; continuing with audit analysis; preparing Town Report material
CPC (Noone)	Distributed project list with BOS rankings; total available funding including unexpended balance is \$1.3 million

Staff Comments: Mr. Murray asked the Committee to add the topic of a fall Financial Town Meeting to a future agenda. Among the possible merits would be greater clarity with state aid.

At 10:28, Mr. Brandon moved adjournment, seconded by Mr. Noone. The motion was adopted without objection.

Respectfully Submitted,

Patricia Clifford, Clerk