

May 23, 2002

Jack Field called the meeting to order at 9:32 p.m. following the annual town budget meeting in the absence of Chairman Michael Jackson.

Present:

Board: Jack Boyer, Jack Field, Robin Hirschfield, Craig Schoon, and Rex Swain

Alternates: Liddy Adams, Barbara Brown, and Mark Lyon

Press: Brian Pontolillo, Voices

The Board discussed the results of the Town Meeting where the General Fund Budget was approved at \$3,063,892 and the Capital Fund budget at \$445,990. The referendum held prior to the Town Meeting had defeated the Education Budget presented at \$7,259,733, as well as the issue of reconstructing the high school track.

Jack Field presented a Summary Town Budget/Financing Plan, which indicated Cases A through D with mill rates at 15.75, 16, 16.25 and 16.5 and the effect on Fund Balances projected at the end of the fiscal year. (Attached)

Thoughts presented for maintaining the mill rate at its current 15.75 included:

The people have voted down the school budget twice and are indicating sensitivity to increases in their taxes.

There is currently a surplus of \$273,000 in the capital fund in excess of projects approved due to grants received for the projects, as well as interest, etc., not included in forecasts.

A 97% tax collection rate is assumed, a degree of conservatism of about \$100,000.

The forecast of "Other Town Income" based on the 2001-02 budget is significantly below the actual in 2001-02.

The Board has been able to hold the mill rate lower than previous years' budget increases because of funds held in reserve. It was felt, however, by not keeping as large a fund balance to cushion these increases, voters would realize a mill rate more commensurate with actual budget spending.

The Board anticipates the next proposal for the Education Budget for 2002-03 will likely be presented at a lower number.

Thoughts in favor of a slight increase in the mill rate included:

The Town's education cost is very sensitive to student enrollment percentage in the Region, which may increase again next year. This could reflect heavily on the budget; therefore, it would be wise to increase the mill rate slightly as a hedge against this possibility.

This year's capital spending is much lower than in the past few years, as well lower than what is anticipated for the next few years.

Sooner or later something must be done with the track, and costs for this project will increase "education" costs after FY 2002-03.

It is wiser to increase the mill rate slightly to insure that we have a savings to fall back on rather than have to take out loans. With the current economy, we are in a period of uncertainty.

A minor increase this year would offset a larger jump in the mill rate in the next year - less "shock" effect when taxes do have to be adjusted to higher future spending.

Rex Swain: We have been able to build up a cushion. Because we have had a surplus, we have been able to hold the growth of the mill rate to lower than that of the school budget. If we raise the mill rate now when we don't need to, we will have more of a cushion for next year's school budget. I think it would be better if the school budget goes up 7% that taxes should go up as required to pay for it. The more cushion we build up, the more this tempts the school to spend it. Jack Field: We need to take a realistic view of what education is costing the Town. When we look at an increase of 7.8% it is not an accurate picture. Netted out after all credits, the increase in education cost to Washington is 2.96%. Our cost is very sensitive to pupil percentage allocation, but it should not be expected to change abruptly. The point is that it is prudent for us as a town to be able to see what education is really costing us. If the population is growing in other towns and they need to spend more money to deal with that growth, of which we would share approximately then that is something else again. Jack Boyer: Still, it seems prudent to go ahead with a modest increase, like to 16.0 mills, to smooth the inevitable growth of the tax rate while at the same time, providing additional cushion against adverse events.

The rule of thumb followed by the Board of Finance is to maintain a fund balance equal to at least one and one-half of one month's actual expenses. This is a common practice with most towns and is fiscally prudent and encouraged by auditors. There was no disagreement with this discipline. The issue was that given that the Fund Balance target appears likely to be achieved in the FY 2002-03 budget, should we build in still more conservatism by increasing the mill rate, and at the same time, getting the psychological advantage of gradually approaching the higher rates forecast in future years. Or, should we hold at 15.75 mills for FY 2002-03 and then raise rates as needed to bring current taxes into a relationship to current spending, i.e. - don't collect it until there is a clear need for it.

After further discussion and much consideration, Jack Boyer made a motion to set the mill rate at 15.75 for 2002-03. Craig Schoon seconded the motion. Jack Field noted there appears to be enough conservatism in the 2002-03 budget to provide confidence in being able to meet the Fund Balance target by year's end with the present tax rate. The motion was unanimously passed.

The meeting was adjourned at 10:08 p.m.

Respectfully submitted,

Kathy Gollow
Secretary