

IN BOARD OF SUDBURY SELECTMEN
TUESDAY, NOVEMBER 20, 2012

Present: Chairman Lawrence W. O'Brien, Vice-Chairman Robert C. Haarde, Selectman John C. Drobinski and Town Manager Maureen G. Valente

The statutory requirements as to notice having been complied with, the meeting was convened at 7:40 p.m. in the Lower Town Hall, 322 Concord Road.

Opening Remarks

At 7:35 p.m., Chairman O'Brien opened the meeting. He announced the Town has received a \$278,000 award from the Massachusetts School Building Authority (MSBA) for the Nixon School roof project. Chairman O'Brien also reminded the community of the Special Town Election on December 4, 2012 for two ballot questions regarding approving the balance due for the Nixon School roof project and the means-tested senior tax relief program. He further stated there will be an information session at the Goodnow Library on November 27, 2012 to further discuss these ballot questions, and the forum will be videotaped. Chairman O'Brien also wished everyone a happy Thanksgiving holiday.

Reports from the Town Manager

Town Manager Valente stated she, Assistant Town Manager Maryanne Bilodeau and Vice-Chairman Haarde attended the Veterans' Appreciation Luncheon this week at the Senior Center. She stated approximately 80 people attended to thank those who serve. Ms. Valente stated Capt. Tom Kenny provided an excellent presentation describing the challenges faced by military personnel. She also acknowledged the Wayside Inn for providing the food for the event.

Town Manager Valente asked the Board to add to their signing folder tonight duplicate copies on cream-colored paper of the proclamations signed previously for returning veterans. She explained these will be archived at the Goodnow Library in the Town's Military Appreciation Book.

Town Manager Valente displayed a book on Sudbury published by the Sudbury Historical Society. She encouraged purchasing a copy through the Society.

Town Manager Valente provided an update to the Board regarding the Fairbank Community Center Committee membership. She stated the Permanent Building Committee has asked not to be represented.

Town Manager Valente announced the Flynn Building and Town Clerk's Office will be closed on Friday, November 23, 2012, noting most employees have worked overtime hours at other times during the year, others will take a vacation day.

Reports from the Board of Selectmen

Selectman Drobinski attended the Massachusetts Municipal Association's Executive Meeting, advising the group on environmental issues.

Vice-Chairman Haarde stated the Veterans' Appreciation Luncheon was an excellent event. He commended Patty Houpt on all that has been accomplished by the Military Family Network. Vice-Chairman Haarde stated the veterans have interesting and meaningful stories to share about their military experiences, and he commented these narratives be captured somehow for posterity.

Vice-Chairman Haarde also attended a Route 20 Sewer Advisory Committee meeting. He stated the challenges and decisions which will need to be made related to financing this project are becoming more

clear. The Committees are researching whether a tax increase for all might be a better approach than a betterment increase on a few taxpayers. Vice-Chairman Haarde stated a lot of data has been accumulated to assess the financial impact on users. He also stated the Committee has discussed how to mitigate the risk of augmenting the Town's Chapter 40B problems. In addition, the Committee has discussed zoning-related issues with the Planning Board. Vice-Chairman Haarde believes voters will want to know what the end-result vision is for the sewer district before voting to fund the project. In response to a question from Chairman O'Brien, Vice-Chairman Haarde stated it is the Committee's hope to present the zoning first to the public.

Chairman O'Brien stated collective bargaining discussions are continuing with Lincoln- Sudbury Regional High School (L-SRHS), and he recently attended a few Executive Session meetings.

Discussion of Three Long-Term Town Financial Challenges – Other Postemployment Benefits (OPEB), Capital Infrastructure and Equipment Projects and Reserves

Present: Finance Committee Chair James Rao and Finance Committee members Bill Kneeland, Bob Jacobson, Jamie Gossels, Mark Minassian, Robert Stein, Charles Woodard and Doug Kohen; Sudbury Public School (SPS) Superintendent Anne Wilson, SPS Director of Business and Finance Mary Will, Chair of the SPS School Committee Richard Robison and SPS Committee members Lisa Gutch, Lucie St. George, Bob Armour, Ellen Joachim, Lincoln-Sudbury Regional High School (L-SRHS) Superintendent Scott Carpenter, L-SRHS Business Manager Michael Connelly, L-SRHS Finance Committee Chair Laura Sanders, L-SRHS District Committee members Radha Gargeya, Nancy Marshall, Elena Kleifges, and Gerald Quirk, KMS Actuaries LLC Representative Linda Bournival, Assistant Town Manager Maryanne Bilodeau, and Finance Director Andrea Terkelsen

At 7:51p.m., Chairman O'Brien opened the financial discussion. He stated the purpose of the meeting is to gain a better understanding of the financial challenges Sudbury faces in the short and long term. The Board was previously in receipt of copies of a memorandum from Town Manager Valente dated November 16, 2012 and an accompanying summary of financial issues related to OPEB obligations, financial reserves and capital projects, copies of the "Town of Sudbury Other Postemployment Benefits Program Actuarial Valuation dated July 1, 2011," as prepared by KMS Actuaries, LLC, and the "Lincoln-Sudbury Regional School District Other Postemployment Benefits Program Actuarial Valuation dated July 1, 2011," as prepared by KMS Actuaries, LLC.

Town Manager Valente stated the objective tonight is to hear the summaries of the report information and to receive background information to further review and begin to discuss at the next Board meeting. She believes it is important for the Town to decide how it wishes to address the actual cost of doing its business in the short and long term.

Town Manager Valente noted some prior steps taken leading to tonight's meeting. In September 2011, a goal meeting was held by the Board, wherein Finance Director Andrea Terkelsen reported the amount paid by the average taxpayer for the Town's debt service was anticipated to decrease from \$686 in FY12 to \$256 in FY16. Assistant Town Manager Bilodeau stated that the Town would be pursuing changes to how it provides its health care plans, and changes were implemented this year. The Park and Recreation Commission stated it was developing a master plan and Community Preservation Act (CPA) funds were appropriated for purchase of the development rights of Pantry Brook Farm. Ms. Valente stated energy-related grants were pursued and received, and a Combined Facilities Director for the Town and SPS was appointed. She and Assistant Town Manager Bilodeau and Ms. Terkelsen also met with members of the Finance Committee to review the impact of the other postemployment benefits (OPEB), i.e., medical and pension benefits promised to Town, Sudbury Public Schools and Lincoln-Sudbury Regional High School employees and retirees for which no money has been previously set aside, accounted for, or considered as

part of one's total compensation. It was decided to use the same consultants for all cost centers who could prepare reports using the same assumptions, and thereby produce reports which could be better compared to each other.

At 8:01 p.m., KMS Actuaries LLC representative Linda Bournival was introduced to further explain her company's OPEB reports for Town and Sudbury Public Schools' employees and the Lincoln-Sudbury Regional High School District. It was noted KMS was the lowest bidder for the scope of work, and the most responsive. Ms. Bournival explained the assumptions used for the reports to estimate the plan obligations as of July 1, 2011, were as if the Governmental Accounting Standards Board (GASB) standard was adopted based upon GASB Statement 45, and to provide information that may be helpful in future planning. She noted GASB 45 does not require funding OPEB liabilities, only reporting them.

Ms. Bournival explained the Town and Sudbury Public Schools (SPS) provide healthcare and life insurance benefits to its retirees and families, and the amount the Town pays is uniform across all groups. She summarized valuation results, which were calculated based upon assumptions as to current claim cost, projected increases in healthcare, mortality, turnover and an interest-discounting factor. She stated the obligations are currently financed on a pay-as-you-go basis plus a nominal contribution to the OPEB trust. Ms. Bournival reviewed the GASB 45 actuarial model, and she explained the substantive plan for employees who attain age 55 or over with ten plus years of service (age 60 is required for those hired after April 1, 2012) and that retirees contribute 50% of the total health care premium. Ms. Bournival highlighted this is an area of difference in the L-SRHS report because the District's employees and retirees only contribute between 10-30 % of the premium.

Ms. Bournival reviewed assumptions used, including a health care cost trend rate (9% - 5%), participation rates of 70%, spouse coverage at 55% and she reviewed demographic information. She also displayed graphs and charts to elucidate the report findings. She explained what comprises the Annual OPEB Cost (AOC) figure and the Net OPEB Obligation (NOO) figure, which is \$10.78 million as of June 30, 2012. The Actuarial Accrued Liability (AAL) present value (pay-as-you-go) of all Projected Benefits for the Town and SPS, as of July 1, 2011, is \$34,275,241, which was broken down by active and retired employees in the report. She also explained the estimated 2011 Annual Required Contribution (ARC) of \$3,663,686 to amortize the total unfunded actuarial accrued liability. Ms. Bournival stated a 30-year forecast of the ARC and a ten-year forecast of the Annual OPEB cost and the Net OPEB Obligation have been provided in the report.

The current valuation uses a discount rate of 3.5% compounded annually, which is appropriate when the assets used to pay benefits come directly from the Town's general funds. Ms. Bournival stated an alternative 8% pre-funded discount rate was also presented for comparison. She noted that a higher discount rate usually results in a lower liability reported because you are pre-funding your obligations (similarly to paying extra towards a mortgage).

Finance Committee member Chuck Woodard asked what the rationale is for the 8% comparison rate. Ms. Bournival explained that the 3.5% rate was used because it is close to the rate of return on cash received by the Town, since the pay-as-you-go system is paid out of the General Fund. However, when looking at the figures from a long-term perspective, she stated the 25-year average return on the State's assets is slightly over 8%. She emphasized the 8% information has been provided only as a comparison and would not be used by auditors.

Ms. Bournival emphasized major assumption changes have occurred since 2009, including the mortality table used, the discount rate, the turnover and that retirement rates now reflect those of the Mass. Teachers' Retirement System actuaries, the turnover and retirement rates for Public Safety employees now reflect the

Middlesex County Retirement System actuarial rates, and the life insurance participation rates have increased.

Ms. Bournival also reviewed options for funding OPEB liabilities, including paying as-you-go, and/or fully or partially pre-funding the liability. She also discussed how Sudbury might control liabilities such as its action to join the Group Insurance Commission (GIC) which decreased the Town's liability by \$15.96 million. It was noted it only takes a few years to realize the financial impact from changes which impact future hires or by delaying retirements and/or increasing the minimum age to retire to 60 as was done in Sudbury (State mandate) for those hired after April 1, 2012. However, Ms. Bournival also stated a true comparison between the two reports is not possible because the L-SRHS District is not part of the GIC, and she explained how this impacts the implicit subsidy differently in the reports.

Finance Committee Chair James Rao stated he believes being part of the GIC does impact the overall rate because a benefit is derived from being part of a larger pool. Mr. Rao noted that as part of a larger pool of employees covered, changes are not as volatile and are more easily incorporated from year to year.

Mr. Woodard asked if the information is provided on a rolling 30-year basis. Ms. Bournival stated the true pay-out can really best be estimated only for five to seven years out.

Finance Committee member Doug Kohen asked if the information is provided in present day dollars. Ms. Bournival stated it is not.

Mr. Woodard summarized findings from the report, stating the Town/SPS OPEB expense for this year is approximately \$1.7 million, but only \$844,000 has been budgeted. Thus, this underfunding each year is how the total obligation has reached \$34 million over time. He asked if this was a fair conclusion, and Ms. Bournival responded affirmatively. Mr. Woodard stated for the benefit of the average taxpayer that benefits have been promised for which no money has been set aside for their costs.

Finance Committee member Mark Minassian asked for clarification regarding the pre-funding model and whether it would reduce the overall liability if 100% were funded. Ms. Bournival emphasized that funding and accounting are two different issues, which are handled very differently.

Mr. Woodard asked if the report includes the Town/SPS change to the GIC. Ms. Bournival stated that all known information was incorporated.

Vice-Chairman Haarde stated the report indicates the move to the GIC has reduced the Town's OPEB liability by nearly \$16 million, and he asked if this is a correct conclusion. Ms. Bournival responded affirmatively.

Ms. Bournival reviewed impacts from a pay-as-you-go system, noting the liability tends to multiply rapidly.

At the request of Town Manager Valente and Chairman O'Brien, Ms. Bournival highlighted positive changes made by the Town, including joining the GIC, and implementing pension reform to increase the minimum age for retirement from 55 to 60.

Finance Committee member Bob Jacobson asked if the analysis assumes Medicare as the primary plan for those over the age of 65. Ms. Bournival stated it does for the Town/SPS, but not for the L-SRHS District.

SPS School Committee member Lisa Gutch asked for clarification of which entity is being referred to by the use of the phrase "school district." Town Manager Valente stated it is only the L-SRHS School District, and that for the purposes of a benefits' discussion, SPS employees are referred to as Town employees.

Ms. Bournival briefly mentioned the municipal reimbursement plan for former employees who are retiring from another community. She also mentioned briefly the State's Retiree Health Care Commission, which may release recommendations later this year.

Mr. Jacobson asked for a brief review of the L-SRHS District report.

Ms. Bournival stated the foundation of the L-SRHS report is the same based on GASB 45. However, she noted the differences in the substantive plan, such as coverage is through Minuteman Nashoba Health Group and retirees contribute 10-30% of total premiums, depending on their retirement date, and there is a Medicare Part B Penalty Reimbursement for current retirees only.

Ms. Bournival reviewed the assumptions used, including a health care cost trend rate of (9%-5%), participation rates of 100%, spouse coverage at 65% and certain demographic information.

Mr. Jacobson asked if it is likely the participation rate is 100% because the employee contribution level is less. Ms. Bournival stated this could likely be a factor.

Ms. Bournival explained the projected pay-as-you-go closed group L-SRHS forecast for the next five to ten years.

Mr. Jacobson summarized the anticipated increase is 50% over the next ten years for the L-SRHS OPEB liability.

L-SRHS School Committee member Radha Gargeya asked if the contribution rate changes agreed to be implemented this year are reflected in the report. Town Manager Valente stated it is believed they were incorporated into the analysis, but the document can be reviewed and updated, if needed.

Mr. Rao stated the L-SRHS OPEB liability is high, and he asked what factors contribute to this along with not being a member of the GIC. Ms. Bournival suggested other factors which could impact the figure.

Mr. Minassian asked if the Town were to pay its full OPEB liability amount this year, would the overall liability decrease to \$17 million. Ms. Bournival stated it is too difficult to answer because the auditors would need to consider many factors, including the investment policy and the discount rate.

Mr. Jacobson stated the focus for action needs to be on the cost side of the issue.

Town Manager Valente stated the Town needs to decide how aggressive it wants to be in putting aside funds for this obligation, in a manner which will reflect the real cost of doing business today.

Mr. Minassian asked who administers the OPEB Trust. Town Manager Valente stated Ms. Terkelsen and Town staff do.

Town Manager Valente noted the Town/SPS report has been posted in the Human Resource section of the Town website, and she encouraged L-SRHS to also post its report.

At 9:19 p.m., Chairman O'Brien concluded the OPEB portion of the discussion.

Public Hearing: Site Plan Application – Northern Bank and Trust Co. – 430 Boston Post Road

At 9:19 p.m., Chairman O'Brien opened the Public Hearing regarding the application for Northern Bank & Trust Company, applicant, and Colonial Auto of Sudbury, Inc., owner, for approval to construct a new 2,500 sq.ft. retail bank building at 430 Boston Post Road, zoned Business District, Town Assessor Map K08, Parcel 0077, which was continued from November 7, 2012.

It was on motion unanimously

VOTED: To continue the Public Hearing regarding the application for Northern Bank & Trust Company, applicant, and Colonial Auto of Sudbury, Inc., owner, for approval to construct a new 2,500 sq.ft. retail bank building at 430 Boston Post Road, zoned Business District, Town Assessor Map K08, Parcel 0077 to December 6, 2012 at 9:30 p.m.

Discussion of Three Long-Term Town Financial Challenges – Other Postemployment Benefits (OPEB), Capital Infrastructure and Equipment Projects and Reserves - Continued

Present: Finance Committee Chair James Rao and Finance Committee members Bill Kneeland, Bob Jacobson, Jamie Gossels, Mark Minassian, Robert Stein, Charles Woodard and Doug Kohlen; Sudbury Public School (SPS) Superintendent Anne Wilson, SPS Director of Business and Finance Mary Will, Chair of the SPS School Committee Richard Robison and SPS Committee members Lisa Gutch, Lucie St. George, Bob Armour, Ellen Joachim, Lincoln-Sudbury Regional High School (L-SRHS) Superintendent Scott Carpenter, L-SRHS Business Manager Michael Connelly, L-SRHS Finance Committee Chair Laura Sanders, L-SRHS District Committee members Radha Gargeya, Nancy Marshall, Elena Kleifges, and Gerald Quirk, KMS Actuaries LLC Representative Linda Bournival, Assistant Town Manager Maryanne Bilodeau, and Finance Director Andrea Terkelsen

At 9:21p.m., Chairman O'Brien resumed the financial discussion.

Town Manager Valente stated another issue for the Board to consider is establishing a target amount of reserves the Town should have.

Finance Director Andrea Terkelsen made a brief statement to the Board, noting that 48 of the State's 351 municipalities have no reserve funds and 19% of the towns attain a 5% target of their annual budgets, which is often recommended by credit agencies. Ms. Terkelsen stated Sudbury had set the 5% target of its annual budget for reserves years ago. She reported that, as of FY12, Sudbury has reached its target, and 5.3% of the Town's FY13 General Fund budget is in reserves, because the Town has, through a combination of Free Cash and the Stabilization Fund, achieved a better Free Cash position. She suggested the Town consider whether all of its free Cash should be moved to the Stabilization Fund at the next Town Meeting. Ms. Terkelsen noted this would require a two-thirds vote at a Town Meeting.

Town Manager Valente referenced the multi-year potential capital, infrastructure and major equipment project list, noting it is in the developmental stage, and it has not been studied and/or vetted. Some projects could be eliminated and other projects could be added as priorities in the next ten years. Ms. Valente stated the intention tonight is to present the projects in order to better understand the magnitude of the number of projects the Town needs to consider regarding funding. In addition, she noted the schools will soon require attention for needed upgrades.

Town Manager Valente briefly reviewed the areas of projects and their total estimated costs as follows: major facilities replacement or renovation (\$22,454,000), major infrastructure projects (\$23,300,000), major

rolling stock/equipment technology (\$6,372,925), unfunded liability and financial planning (\$75,580,780), capital plan items (\$16,277,056), other items to be assigned areas and cost (\$16,370,000), L-SRHS capital items (\$3,510,324 - Sudbury's share is 85%).

Town Manager Valente stated the Town, mostly through the Permanent Building Committee, has impressively worked on \$135 million dollars' worth of Town projects in the past 20 years, with the School projects during this time being reimbursed at an average 64% rate. She explained the Town needs to develop a sufficient financial reserves' position and a strategy for financing mechanisms to approach these projects in a predictable, planned and cost-efficient manner over a ten-year period in order to level out the costs for taxpayers.

Ms. Valente stated the Town has made, and will need to continue to make, significant investments in its assets. She suggested Town staff draft some options of project priorities for the Board's review. Ms. Valente encouraged the Board to begin to address these issues at its December 6, 2012 meeting, to give comments and suggestions and begin to set parameters by which a sub-committee could possibly do further work.

Finance Committee Chair Jim Rao stated that, from a financial aspect, the project list is daunting. He asked how the list would be prioritized and with what timelines for completion.

Town Manager Valente suggested a beginning point could be the anticipated \$400 in debt issuance capacity which current taxpayers are paying which will be eliminated by FY16. She also suggested a capital exclusion could be submitted to voters each year. Ms. Valente highlighted it will be more evident as to how to fund projects than it will be to determine which ones should be funded and when.

Selectman Drobinski stated each cost center has a better idea of its priorities than the Board does. He suggested each cost center present its priorities to the Board. Chairman O'Brien concurred, and he suggested the cost centers also present timeframes for completion, and for projects to be completed in one to three years, an accompanying rationale for it being a priority.

Selectman Drobinski stated the difficult part of the discussions will be for the Town to decide which projects should be prioritized over others, for example, does a Police Station get constructed or a recreational field. Mr. Rao concurred that this is exactly an example of the kind of decisions the community will need to make.

Vice-Chairman Haarde stated it will be important to receive as much input as possible from the Town's stakeholders and each cost center.

Town Manager Valente noted the Town and SPS have developed a good system for working together to propose options, and she believes the system could also be applicable to L-SRHS.

Mr. Rao stated it would be helpful to know how other towns address these issues, noting Wayland has developed a consistent long-term system.

Town Manager Valente stated it is important for the Town to make a commitment to reflect the actual cost of business within a strategic plan.

In response to a question from Finance Committee member Jamie Gossels regarding cost allocation for L-SRHS projects, Chairman O'Brien stated all options are open for discussion and "on the table."

At 9:46 p.m., Chairman O'Brien closed the discussion, and he asked the Board to give these issues thought prior to the December 6th meeting.

Minutes

It was on motion unanimously

VOTED: To approve the Executive Session minutes of October 16, 2012 and the Regular and Executive Session minutes of November 7, 2012.

Election Officers – Appointments

It was on motion unanimously

VOTED: To appoint Fletcher Comrie, 26 Amanda Road and Andrew Carlson, 29 Juniper Road as election officers to work at the polls for community service hours and Carlie M. Friedlander, 75 Water Row and Ruth E. Greene of 36 Elaine Road, as unenrolled election officers all for terms to expire on August 14, 2013.

Unaudited FY13 First Quarter Financial Reports - Acceptance

It was on motion unanimously

VOTED: As co-trustees of Town funds, to accept the unaudited FY13 first quarter Financial Reports for the Town Trust Funds for the period ended September 30, 2012, as requested by the Finance Director, Andrea Terkelsen.

Massachusetts Interlocal Insurance Assn. (MIIA) Loss Control – Grant

It was on motion unanimously

VOTED: To accept, on behalf of the Town, a Massachusetts Interlocal Insurance Assn. (MIIA) Loss Control Grant in the amount of \$5,000 for the roof inspection program, as requested by Maryanne Bilodeau, Asst. Town Manager/HR Director.

TD Bank – Compliance with Site Plan Conditions

Vice-Chairman Haarde asked for this agenda item to be held until he can visit the site. Chairman O'Brien concurred, noting that when he visited at night last week, the inside of the bank was too illuminated. Selectman Drobinski stated when he visited at night, the inside lighting was off.

It was on motion unanimously

VOTED: To ask the Town Planner to further monitor the lighting at TD Bank, 407 Boston Post Road, and to discuss site plan condition compliance by the Bank at a future Board meeting.

There being no further business, the meeting adjourned at 9:48 p.m.

Attest: _____
Maureen G. Valente
Town Manager-Clerk