

**Town of Sudbury ~ Finance Committee
Minutes of Meeting
Thursday – March 25, 2010
7:30pm – Silva Conference Room (Flynn Building)**

PRESENT: Chairman Chuck Woodard, Joan Carlton, Jamie Gossels, Bob Jacobson, Bill Kneeland, Jim Rao, Robert Stein, and Sheila Stewart

ABSENT: Marty Ragonas

Opening Comments:

The meeting was opened at 7:29pm, since all parties were present. Chuck Woodard explained that the order of the agenda would change a bit.

Approval of Minutes:

The committee was asked to approve the minutes of the February 2, 8, and 9, 2010 meetings. The committee was reminded the Chuck Woodard had previously submitted his changes via email.

February 2, 2010:

VOTED: Motion to approve the minutes of the February 2, 2010 meeting with the understanding the suggested changes would be made. Motion made by Jim Rao and seconded by Bill Kneeland. On vote, motion carries 8 in support, 0 opposed, and 1 absent.

February 8, 2010:

VOTED: Motion to approve the minutes of the February 8, 2010 meeting with the understanding the suggested changes would be made. Motion made by Jim Rao and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent.

February 9, 2010:

Sheila Stewart suggested pluralizing the word “building” under the Article 16 discussion section (Page 3). Bill Kneeland suggested adding the word “authority” to the second sentence under the Article 16 discussion section (Page 3).

VOTED: Motion to approve the minutes of the February 9, 2010 meeting with the understanding the suggested changes would be made. Motion made by Jim Rao and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent.

Item 1: Transfer Requests

Reserve Fund Transfer #10-04: Reserve Fund Transfer #10-04 is being requested by Town Counsel and is for the amount of \$24,235. The funds are being requested to cover additional legal expenses through the end of FY10.

Robert Stein questioned if the funds were going to be used to pay Paul Kenny or other lawyers. Maureen Valente explained how Paul Kenny is paid each fiscal year. She discussed the contract negotiations and the cost of additional labor counsel.

VOTED: Motion to approve Reserve Fund Transfer #10-04 in the amount of \$24,235. Motion made by Bill Kneeland and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragonas).

Health Reserve Transfers: Maureen Valente, Town Manager, informed the committee that the Fire Union has settled. All unions are now settled for FY10, except for the dispatchers. She explained the insurance reserve

account and explained that the funds would be used to maintain jobs and cover salary increases. She provided a breakdown of wage and insurance provisions.

Maureen Valente provided responses to the questions that the FinCom asked all the cost centers in regards to contract settlements. She is asking that this transfer be made now, because many departments are running low and that they need to meet payroll and expense obligations.

Maureen Valente explained how the town step increases work. They are granted annually upon a satisfactory performance review. The steps are granted annually above any COLA increase. Chuck Woodard stated that the step increases are another form of a COLA. Maureen Valente stated that COLAs are giving to everyone, where as steps are not.

Bob Jacobson questioned the Police Union settlement. It seems like they settled for much less. Maureen Valente informed the committee that the state is not fully funding the Quinn Program. Employees who already receive the Quinn Bill were grandfathered in. The union increased the number of work hours in the day, reduced their hazardous duty pay, and lost all longevity payments. The concessions by the Police Union cover the town in picking up the state's portion of the Quinn Bill.

71% of employees are at their respective top step.

The town is within the 4.5% growth limit for FY11 & FY12. The FY12 is estimated to be at 4.25%

Health Reserve Transfer #10-06: Health Reserve Transfer #10-6 is being requested by the Town Manager and is for the amount of \$270,000. Maureen Valente explained the balance of the account and reviewed what had been previously transferred for the Sudbury Public School Department.

VOTED: Motion to approve the Health Reserve Transfer in the amount of \$270,000. Motion made by Jamie Gossels and seconded by Robert Stein. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Health Reserve Transfer #10-07: Health Reserve Transfer #10-07 is being requested by the Town Manager and is for the amount of \$195,000.

VOTED: Motion to approve the Health Reserve Transfer in the amount of \$195,000. Motion made by Bob Jacobson and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Item 2: Revote of Money Articles

The committee reviewed what was originally voted (February 9 spreadsheet) compared to the current warrant figures. The committee asked Andrea Terkelsen to reconcile the spreadsheet that was originally voted to what is in the warrant.

The committee will take votes on Article 3 through 9 at the 6pm meeting prior to the Annual Town Meeting.

Item 3: Discussion of Article 42 (D. DePompei)

The committee heard from Daniel DePompei (resident/ 35 Haynes Rd) regarding Article 42 – Future Rail Trail Studies. He stated that he put the article together in a short period of time because he was aggravated with what has been going on with the Freeman Rail Trail. The article would direct the town's staff to spend up to \$25,000 to investigate mitigation of certain impacts, and defines more specifically what the funds can be spent on.

Chuck Woodard stated that this article sounds like it requires micromanagement of the project. Jim Rao stated that this seems worse than just micromanaging. This is what the boards and committees have been put in place to oversee, and that there has to be some trust the funds are being spent properly on what they were originally approved for.

Chris Morley stated Dan DePompei should make it known that he is an abutter of the trail.

Jim Rao stated he is not sure if this is something that the FinCom should be taking a position on. The committee took a position when the original article was proposed. Dan DePompei stated that he is not here in support or against the rail trail. He does not believe what he is proposing will result in micromanagement of the project. He is here as a courtesy to the committee since they take positions on the various articles.

Robert Stein stated that he had read the wildlife study and that there are some major problems listed.

The committee agreed to take no position on this article.

Item 4: Discussion on CPF Articles

Jim Rao presented his findings in regard to his review of Articles 40 and 41.

His goal was to perform due diligence on the data and assumptions that are the inputs for an analysis that looks at 1.) the financial impact of reducing the CPA surcharge to 1.25% and 2.) the proposed early retirement of outstanding CPC debt using current CPC cash reserves. His plan was to review key documents, meet with key stakeholders to verify data, assumptions and methodology, create a separate analysis based on the data and assumptions, and separately fact check and validate the spreadsheet that was presented by the petitioner to the FinCom on February 4th.

He constructed an analysis that mirrored the assumptions that were presented on February 4th to determine if there were any potential errors in the analysis. In doing so, he discovered that the debt repayment assumptions used in the petitioner's analysis needed to be updated. The petitioner's assumption assumed \$4.3 million for debt repayment. As per the amortization schedules for the Cutting and Libby bonds, the correct amount is \$5.5 million. Jim Rao met with the petitioner on March 3rd to review the preliminary findings.

There is an early retirement provision for each bond, which prevents the bonds from being repaid before certain dates. The Libby Bond cannot be pre-paid, in whole or in part, until June 15, 2013 or later. The Cutting/Dickson Bond cannot be pre-paid, in whole or in part, until June 15, 2014 or later.

The following changes are recommended to the petitioner's analysis:

- Change the investment/interest income rate to 1.8% per annum
- Change the timing for the early retirement of the Libby and Cutting debt to the beginning of FY14 and FY15
- Include 10% set aside for historic preservation purchases in the cash flow analysis
- Include 10% set aside for open space purchases in the cash flow analysis
- Include CPA Admin costs in the cash flow analysis
- Use the unreserved fund balance vs. the total fund balance, as the starting point for a cash flow analysis.

Chuck Woodard stated that Article 40 basically shuts the program down. Robert Stein stated that this could be temporary because of the economic climate. The surcharge can always be voted in again at a later date. Bob Jacobson stated that if you choose either scenario that you are basically shutting down the program.

Robert Stein stated he has a hard time believing that the 1.8% rate for interest earnings is high. He believes it should be lower at .5 or 1%. Andrea Terkelsen stated that the rate can vary by investment and the petitioner was not provided nor asked for a percentage amount. She feels better using the 1.8% as opposed to the 5 to 8%.

Chris Morley reminded the committee that the state match would be reduced further if the surcharge is reduced.

Jim Rao stated that there was a lot of data to go through. He stated that Tammie DuFault, Andrea Terkelsen, and Jody Kablack were all very helpful during this process.

Article 15: Local Room Occupancy Tax

Larry O'Brien reported the Bd. Of Selectmen voted to support this. Believes it should go to the voters at the Annual Town Meeting. Robert Stein questioned the amount being expected to be raised (\$100K) and asked where the funds would go. Larry O'Brien stated that that figure was taken from the Department of Revenue. Bob Jacobson stated that the funds would be taking in as receipts and cannot be spent without appropriation. The funds can be used to offset the tax rate. Larry O'Brien stated the surrounding communities have adopted this.

VOTED: Motion to recommend approval of Article 15. Motion made by Jamie Gossels and second by Joan Carlton. On vote, motion carries 7 in support, 1 opposed (Stein), and 1 absent (Ragones).

Article 14: Local Meals Tax

VOTED: Motion to recommend approval of Article 14. Motion made by Jimie Gossels and second by Bill Kneeland. On vote, motion carries 7 in support, 1 opposed (Stein), and 1 absent (Ragones).

Article 30: CPF Tomb Door Restorations

Robert Stein questioned if they could put a levy against the future earnings of the suspect. Chris Morley stated that as part of the sentence the town is to be reimbursed, but they are not really expecting to receive anything. If funds are obtained they would be put back into the CPC account.

VOTED: Motion to recommend approval of Article 30. Motion made by Bill Kneeland and second by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 31: CPF Cemetery Radar Search

VOTED: Motion to recommend approval of Article 31. Motion made by Jamie Gossels and second by Bill Kneeland. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 32: CPF Town Hall Vaults

VOTED: Motion to recommend approval of Article 32. Motion made by Jamie Gossels and second by Bill Kneeland. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 33: CPF Town Hall Study

VOTED: Motion to recommend approval of Article 33. Motion made by Joan Carlton and second by Jamie Gossels. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 34: CPF Housing Trust Allocation

VOTED: Motion to recommend approval of Article 34. Motion made by Jamie Gossels and second by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 35: CPF Town-Wide Walkways

Robert Stein questioned if there was a list of sidewalks that they want to complete. Jody Kablack, Town Planner, stated a comprehensive list is the 2000 report. The CPC only pays for the construction of new walkways.

VOTED: Motion to recommend approval of Article 35. Motion made by Jamie Gossels and second by Sheila Stewart. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 36: CPF CXS Acquisition Funding

Robert Stein questioned the responsibility of the town in regards to the contamination of the property. Jody Kablack reported that there is a small area contaminated, and the town is taking the premises as is but does not take the past liability.

VOTED: Motion to recommend approval of Article 36. Motion made by Jamie Gossels and second by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 37: CPF Amend 2008 ATM / Art. 29

VOTED: Motion to recommend approval of Article 37. Motion made by Jamie Gossels and second by Bill Kneeland. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 38: CPF Reversion of CPA Funds

VOTED: Motion to recommend approval of Article 38. Motion made by Jamie Gossels and second by Sheila Stewart. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 39: CPF General Budget & Appropriation

VOTED: Motion to recommend approval of Article 39. Motion made by Jamie Gossels and second by Bill Kneeland. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Article 40: CPF Reduction of CPA Surcharge

Robert Stein stated that he feels very strongly that the CPA surcharge should be reduced. We are in tough times, and should give back to the taxpayers. This surcharge was originally approved by a very narrow margin. We are now getting much less in the state match. When times are better we can always vote to increase the surcharge amount again. In the future, land purchases can be bonded.

Chuck Woodard reminded the committee that this is a two step process. It has to pass at town meeting and then goes to the ballot.

Chris Morley stated he is aware \$100 is important when talking in regards to tax bills, but he believes that the state match the town receives for having the CPC is just as important. They are expecting \$400,000 to \$500,000. The reduction of the surcharge would eliminate the large open space purchases that they can currently make. The CPC would be able to continue with the smaller historical preservation projects.

Andy MacEntee (Sudbury resident) stated that there is \$10 million in outstanding bonds. So to say that the program has ended, would be saying we have to give the land back. Reducing the surcharge down to 1.25%, we are talking about \$500,000 or less in surcharge monies. Bob Jacobson stated the he is taking the committee too literally when they say the program is coming to an end. The program will be ending as we know it. We will still have the ability to make small land purchases.

Andy MacEntee stated the CPC is appointed by the Board of Selectmen. At the Annual Town Meetings we debate and then appropriate funds. The CPC surcharge is charged to the residents first and at a later date the CPC decides whether or not to present an article at the town meeting to be voted on.

Andy MacEntee stated that we will still have the ability to make land purchases via debt exclusions.

VOTED: Motion to recommend approval to lower the CPA surcharge. Motion made by Robert Stein and second by Jim Rao. On vote, motion carries 2 in support (Rao, Stein), 6 opposed, and 1 absent (Ragones).

Article 41: CPF Fully Pay Bonds for Libby Land & Cutting Farm

Robert Stein stated that it does not seem financially right. He believes we are earning 1% or less in interest, but are paying closer to 4% in interest costs on the outstanding debt.

Jim Rao stated he would not vote in favor of this article, because the reality is that we cannot pay off these bonds early. He would rather wait to see what interest rate levels look like when we have the opportunity to prepay the bonds. If interest rate levels are low, it may make sense to pay off the bonds; if interest rate levels are high, it may be more attractive to preserve what would then appear to be low cost debt.

Bob Jacobson stated that there is no reason to commit ourselves now. We can decide on this later when the time comes. Robert Stein stated that he has changed his opinion of this article based on tonight's discussion.

VOTED: Motion to recommend approval of Article 41. Motion made by Jamie Gossels and second by Bill Kneeland. On vote, motion carries 0 in support, 8 opposed, and 1 absent (Ragones).

Item 5: Special Town Meeting Article– Minuteman

The article is for Sudbury's share that will consist of an appropriation of \$10,000 to be spent over five years by Minuteman High School. The school needs 100% vote in support from all member schools. The MSBA will contribute 40% to the study. No major renovations have been done to the school since it was originally built.

VOTED: Motion to support the article as presented. Motion made by Bill Kneeland and seconded by Jamie Gossels. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Item 6: Status of State Aid

Maureen Valente, Town Manager, stated she has been advised by the Mass Municipal Association (MMA) that the senate has jumped the house in releasing preliminary figures. They have release a macro-level and a breakdown of Section 3 aid. The MMA stated that they agree with the cap, but not with the formulas that were sent to the various towns. She has spoken with Tom Conroy and he recommended not going by the 4%, but would go higher. It is still tough to say what the actual reductions will be at this time.

Chuck Woodard stated that it seems like we are better off than we were a month ago. We were originally predicting a 10% cut in aid. It seems like we should not expect anything worse than a 7% cut.

Robert Stein stated that Tom Conroy said there was talk about a 10% increase in transportation and Special Education funds. Maureen Valente stated that these are outside of the Section 3 aid, and that she has not seen anything as of yet on these.

Robert Stein questioned what would happen if the override is passed, but the revenue figures come in higher than anticipated. Bob Jacobson stated we are locked in to the level of spending approved at the Annual Town Meeting and could not spend more without the approval of a Special Town Meeting. .

Maureen Valente discussed the FY 10 revenues. She stated they are not sure what to expect from the second commitment. They are expecting a \$311,000 revenue shortfall. She explained to the committee how the Snow & Ice deficit works. She stated that there will be some funds left in the salary contingency fund that should not be needed. She reminded the committee that municipalities lag the private sector when it comes to economic recovery.

Other Business

The committee was reminded that they will meet a 6pm in Room A300 prior to the start of the Annual Town Meeting on April 5. Article 18 and other articles will be discussed.

The committee was informed that a working group meeting will be held on April 1st to discuss State Aid.

Robert Stein stated he has concerns for the website "SupportSudbury.org" that has about 1,200 members who are supporting the override. They are stating that the override breaks down to \$5.00 per person. He stated that there are a lot of bad numbers out there. He also stated that he has major issues with the way the information is being presented on page FC-11 in the warrant. He stated that the additional taxes are not being factored in if the override is approved. He stated that the layout of the info on page FC-11 should be changed in the future, and that he has discussed this with Chuck.

Chuck Woodard recommended that Robert Stein create a template of what he would like to see. Then the committee can visually see what he is talking about. Bob Jacobson reminded them that the effects of override & non-overrides need to be very clear as to how the tax bills will be affected.

Assuming the override is approved, Robert Stein believes a budget forum needs to be held. He recommended Thursday-April 29 at 7pm at LSRHS. He has already reserved the auditorium. He wants residents to be able to have 3 minutes to ask questions, offer criticism against the override, or provide additional comments. He recommends having two moderators; one for the override and the other against. Bob Jacobson agrees. He would like to hear people's comments, but does not want repetitive comments being provided.

Bob Jacobson stated that as with "SupportSudbury", there will be a bunch of people misstating and misquoting figures as to whether or not they support the override. This is why the committee provides statistics that they believe to be correct and why the committee does not try to persuade residents which way to vote. The committee only recommends a budget.

There being no further business, the committee adjourned at 10:23pm.