

**Town of Sudbury
Finance Committee
Minutes of Meeting
Monday, October 24, 2011
7:30 p.m.**

The Town of Sudbury's Finance Committee Meeting, held on the second floor of the Flynn Building, was called to order at 7:36 p.m. by Chairman James Rao. Present for this meeting were Joan Carlton, Jamie Gossels, Bill Kneeland, Doug Kohen, Jim Rao and Chuck Woodard. Absent from the meeting was Robert Stein. Bob Jacobson arrived at 7:55 p.m.

Item 1: Approval of Meeting Minutes

VOTED: Motion was made by Chuck Woodard to approve the Minutes of the September 19, 2011 Meeting and seconded by Joan Carlton. Chuck Woodard and Bob Jacobson had submitted their suggestions/edits previous to this meeting by email. On vote, Motion was carried in support (six in support, zero opposed).

Item 1: Transfers and Other Business

Jim Rao made mention that a new member was needed for the Route 20 Sewer Commission. Robert Stein had resigned due to personal reasons. Joan Carlton volunteered to be the new member.

VOTED: Motion was made by Jim Rao to appoint Joan Carlton to the Route 20 Sewer Commission and seconded by Jamie Gossels. Motion was carried in support (six in support and zero opposed).

Item 2: Fiscal Year 13 Budget Planning

Jim passed out the Annual Letter to Cost Centers. He said the letter basically relayed the same message as last year. This letter contained some yellow highlighting to pay special attention to. Jim stated that he had attended the Board of Selectmen's Meeting. He gave a preliminary review of the revenue forecast and recommended to the Committee no greater than a 2.5 percent growth for FY13. Jim advised the Committee remaining consistent with the 2.5 percent annual growth over the next three years (FY13 through FY15) for planning. The cost center letter states that FinCom liaisons will present information and answers to the questions asked in the letter at the December 19, 2011 FinCom Meeting.

Another issue for consideration was the manner in which cost centers develop a "Roll-Up" or "Level Staff" budget. FinCom needs to consider how each budget is developed and ensure consistency.

Jim Rao recommended that no cost of living increases (COLAs) be assumed for FY13 compensation costs for the purposes of developing a Roll-Up budget. Chuck Woodard mentioned that zero percent and no layoffs should be part of the Roll-Up budget. Doug Kohen asked if FinCom had any ability to stress test based on different salary increase assumptions, and Jim answered yes. The Committee would have to look at individual salaries at the different cost centers. Jim also reiterated that FinCom is only looking at FY13. Joan stated that FY13 is the first year of the new contract and that we should commence with a no-COLA assumption for budget comparison purposes. Jim agreed.

Jim mentioned that he was more hesitant providing specific guidance for cost increase assumptions regarding health benefits. He believes each cost center should look at their individual health benefits and present FinCom with the recommendations. Chuck asked if the new state law applies to the first year of the new contracts. Susan Iuliano, guest of the meeting, said yes, the new state law could apply to health benefits also, if it was adopted by the town and that there are several steps to get there. Doug Kohen asked when the Town gets the rates for next year. Andrea Terkelsen, who was also a guest at the meeting, told the committee that she and Maryanne Bilodeau were looking at active employees' health benefits, and it would take some time to get that information for next year

Exhibit II: Questions and Information to Discuss Prior to Formal Budget Submissions

To Question One, there was no comment.

To Question Two, there was no comment.

To Question Three, Chuck said that \$5,000 on grant excesses seemed rather miniscule, and he suggested a grant excess of \$25,000 be used instead.

To Question Four, there was no comment.

To Question Five, Jamie asked if we still wanted to specifically go back to FY11 and FY10. Chuck suggested we more generally ask about all cost savings and/or revenue enhancements.

To Question Six, Bob Jacobson suggested that discussion of healthcare insurance costs could be included.

Bob said that Question Seven was not appropriate, and the FinCom agreed to strike Question Seven.

There were no other comments or questions regarding the rest of the letter. Jim stated he would make edits on the above, and he would circulate final comments. Jamie stated that Lincoln Sudbury (L/S) would be less than happy with zero COLA increase; however, Jim said he believed that it was correct figure to use for planning purposes and to compare budgets.

Item 3: OPEB

Chuck gave an updated report on OPEB. The conclusion of his discussions was there was not much sense to focus on the last report but rather to wait for the 2011 report which unfortunately would not be available until early 2013. During their discussions, there was agreement to use a consistent set of assumptions for variables such as expected growth in healthcare costs. Bob Jacobson stated that a joint-bid for a single consultant to perform an analysis for both the Town/SPS and LSRHS would be beneficial. Chuck stated that this would be beneficial as we would get an end result that calculates the liability for these two entities in the same manner.

Chuck said that while it was frustrating to wait 18 months, it is reasonable to believe that there will be significant changes in the OPEB liability given contract changes likely to result from the recent State law regarding union healthcare plans. Doug asked what our course of action was for addressing this liability. Bob stated that FinCom's goal was not to wait for the next report, but rather to have discussions in the near term regarding when and how to start to set aside funds for this liability. Part of it has to do with the OPEB trust funds and their establishment.

Chuck then tried to put the OPEB liability in context. He said if we pay the annual required contribution as per the consultants' report, we would have to increase our operating budget by five percent to fund over thirty years. Joan asked about current employees. Joan said that ideally in the future, similar to a pension, we would want to collect a certain percentage from current employee contributions to help fund this future cost obligation. Chuck mentioned that we could and should ask for an addendum in the next report that evaluates the impact of the new contracts on the liability. He said again, however, it was important to use the same consultant to achieve consistency in the valuation.

Jim had one final question for the committee regarding OPEB and that one area to make some progress in the interim was on education and communication. He asked what avenues the Committee has and should use to let people know about OPEB, such as articles, presentations as a budget hearing. Chuck suggested that a primer in the warrant would be a good start.

Item 4: CPA Fund Investments

Chuck and Bill met with Andrea and Maureen and people from the CPC regarding an investment policy with regard to the roughly \$8 million fund balance. Based on the statements received for February 2011, Chuck originally had some concerns regarding the maturities of the portfolio. However, as of the August 2011 statement the average maturities were now much shorter and Chuck felt better about it at this point in time. Chuck made a suggestion that the CPC investment policy should allow maturities up to three years instead of the six years that is currently being proposed. Chuck said we should take no investment risk with public monies and that longer maturities could introduce investment risk into the portfolio.

Andrea stated that the town has an existing investment policy that restricts investments to certain asset classes. The current discussion is for CPC to have a separate policy. Chuck said we should have a separate policy in place, and he also said he had not received any answers to his suggestions/comments regarding the CPC investment policy to date.

Item 5: Public Comments

Susan Iuliano wanted to clarify one of the questions in the Cost Center letter regarding healthcare benefits. She mentioned that the Sudbury School Committee will be looking at different healthcare cost scenarios and due to restrictions from a collective bargaining perspective, will be limited in what they can share with the FinCom regarding FY13.

Jim said that no new applicants for the FinCom vacancy had applied yet. He said he was optimistic someone would come forward in the selection process. Jim also told the Committee he would try to get the budget hearings scheduled and completed before February vacation (2012) similar to last year.

Jim stated the next meeting would be Monday, November 21, 2011 in the Flynn Building (second floor) at 7:30 p.m. Motion was made by Bill Kneeland to adjourn and it was seconded by Jim Rao.

There being no further business, the Committee adjourned at 9 p.m.