

Town of Sudbury
Minutes of Finance Committee Meeting
Thursday, April 26, 2012

The Town of Sudbury's Finance Committee Meeting, held at the Town Hall, was called to order at 7:35 by Jim Rao. Present for the meeting were Bill Kneeland, Doug Kohen, Mark Minassian, Robert Stein, Chuck Woodard and Joan Carlton. Absent from the meeting were Jamie Gossels and Bob Jacobson.

Item 1 – Transfers

Fire Department Transfer Request

Maureen Valente, Town Manager, and Fire Chief Bill Miles reviewed a request for approval of a transfer of \$76,270 from two salary line items in the Fire Department budget to the contract services expense line item in the same budget. Bill Miles explained that when the budget was written he had hoped to have sufficient firemen trained to provide ALS services but for FY12 the department continued to use some ALS contract services. A motion to approve the transfer was made by Bill Kneeland, seconded by Chuck Woodard and unanimously approved by the members of the Finance Committee.

Article 2 - FY12 Town Budget Adjustment

Maureen Valente presented a budget adjustment to move \$136,000 from the snow and ice budgets to the budgets listed below. This adjustment has been approved by of the Board of Selectman.

- \$40,000 to the DPW line item for removal of dead and dying trees.
- \$16,000 to the DPW for vehicle maintenance and roadwork accounts.
- \$30,000 for new, fuel efficient car for the DPW.
- \$18,000 for a Hazardous Waste Day
- \$16,000 for a study of the highest and best use of the gravel pit property on Route 117.
- \$16,000 for Minuteman Vocational High School's assessment for improvements to the Trade Building.

A motion to recommend approval was made by Chuck Woodard, seconded by Doug Kohen, and unanimously approved by the members of the Finance Committee.

Article 2 – Town Budget Adjustment Discussions.

Maureen Valente stated that approximately \$200,000 will likely be available from the Town's Reserve Fund. These funds are available because the Town did not have a snow and ice deficit this year. She stated that they are looking at the areas listed below to restore funding on a "one

time” basis since these are “one time funds” that must be spent or appropriated in FY12 or allowed to close out, unspent.

- Funding the Natatorium/Atkinson Roof Project. This project is estimated to cost \$416,000. Jim Kelley feels we could get a grant to help with the project, probably around \$80,000 but it could be higher.
- Fund some portion of the future capital budget that otherwise is not being funded. This includes purchasing some of the smaller DPW trucks or purchasing one more Bombardier.

Maureen stated that there is also \$91,000 available due to the health care rate holiday in March which was agreed to as part of the change to the GIC health insurance. Maureen is working with department heads to develop a final list of items for the use of these funds.

Motion to Empower Town Manger to approve transfers < \$10,000

Jim Rao presented a motion to empower the Town Manager to approve transfer of not more than \$10,000 between functions without further Finance Committee approval between May 1, 2012 and July 25, 2012.

A motion to approve was made by Bill Kneeland, seconded by Mark Minassian and unanimously agreed by the members of the Finance Committee.

Article 2 - FY12 SPS Budget Adjustment

Mary Will, Director of Business & Finance, and Dr. Anne Wilson, Superintendent of Sudbury Public Schools (“SPS”) presented a budget adjustment to move \$178,511 from the Town benefit line to the SPS operating budget. The funds are available due to the health care rate holiday in March. Due to move-ins and changes in IEPs this year, SPS experienced special education out of district placements that were not in the budget. This deficit was covered through several means including a regular education budget freeze. If the funds transfer is approved, it will be used to offset the effects of the budget freeze as follows.

- \$15,500 – New unfunded mandates.
- \$45,000 – Curriculum Supplies
- \$14,000 – School supplies
- \$45,000 – Technology
- \$20,000 – Phone system for Nixon
- \$30,000 – Maintenance

Doug Kohen voiced a concern that the phone system should have gone through the Capital Improvement Committee (“CIPC”) and this request somehow circumvents the process. Bob Stein voiced a similar concern. Mary Will mentioned that while it is an item that had lower priority for the CIPC given the other on their list, however this was something that SPS needs

and wanted to move forward with. Chuck Woodard mentioned that, as SPS has room in their budget, they should be allowed to use those funds. A motion to recommend approval was made by Bill Kneeland, seconded by Chuck Woodard. The motion was approved with 5 in favor and 2 opposed (Kohen and Stein).

Item 2 – Sudbury Health Claims Trust Fund

Maryanne Bilodeau, Assistant Town Manager, presented an update on the status of the Health Care Trust Fund for Town and SPS employees. As of the end of February 2012 there was approximately \$6.5 million in the trust. A typical month's claims are approximately \$863K. The trust can't be fully resolved for 2 years. They have been told to expect 5-6 months of claims after the switch to the GIC on July 1, 2012. At this point in time, Maryanne expects that this amount will be closer to 3 months of claims but is aware that there may be a spike in health care usage prior to the switch to GIC that could influence the amount. Once all the outstanding claims are paid, the current estimate is that there will be anywhere from \$1 million to \$3.5 million of excess funds in the trust.

Of the remaining funds, 19.3% of the balance in the trust belongs to the employees and 80.7% to Sudbury. One possible use for the employee balance is a rate holiday in 2013 and one possible use for the Sudbury portion is to fund OPEB. In FY13 they will have a better idea of the balance in the fund and then have firmer recommendations for use of the funds.

Item 3 – Minuteman Stabilization Fund

Dave Manjarrez, the Sudbury Representative on the Minuteman School Committee, presented his thoughts on Article 13, the establishment of a stabilization fund for Minuteman Regional Vocational School.

Dave does not support the stabilization fund because he feels that the issue of tuition students paying several thousand dollars less than students from member towns has to be resolved first. He explained that 47% of the students are tuition students. The total enrollment is 750 students and the budget is 17 million. The actual cost per student is \$22,600. Tuition students pay \$18,375 this year and will pay \$19,034 next year.

Doug Kohen asked the question – given that some costs are fixed does it really cost \$22,600 for each additional tuition student? Dave explained that if it were just a few students and space was available in the classes, then the answer could be no but in this case it is approximately ½ the enrollment.

Item 4 – FY13 Budget Update

L/S FY12 Budget

Jim Rao explained that due to the significant increase in Special Education (“SpEd”) Out of District (“OOD”) costs the L/S FY12 budget has a deficit of \$438,000. Given the significant year-over-year increase, L/S qualified to apply for Extraordinary Relief from the state. Recent communication has suggested that L/S should expect to receive \$408,000 of Extraordinary Relief from the state. While still not final, the L/S School Committee felt it was safe to assume for FY12 and FY13 planning purposes that this funding relief would be provided. This funding plus \$30,000 from the E&D Fund will cover the FY12 deficit.

L/S FY13 Budget

Jim Rao presented a summary update on the L/S FY13 budget. The Level Services budget totals \$25.9 million and the No Override budget allows for \$25.2 million thus there is an approximate budget deficit of \$700K. Using funds from various one-time sources including, but not limited to, the postage account, the Medical Trust Fund and excess funds from the Building Use Account would bring the deficit down to approximately \$342K. Sudbury’s 85% share of this would be approximately \$290K.

Doug Kohen asked if L/S would be eligible for Extraordinary Relief from the state in FY13. Scott Carpenter explained that as of now the increase over FY12 is not sufficient to apply.

Bob Stein asked for an explanation for the funds that are available in the Building Use Account. Scott Carpenter explained that these are funds collected for the use of the building and that the money is used to pay for off-hours janitorial services. A review of the account by the interim Finance Director showed an excess of \$100,000 that could be used elsewhere.

Bob Stein asked about the status of the review and audit of L/S financial accounts and processes. Scott Carpenter explained that the firm of Melanson, Heath & Company has been hired and is in the process of conducting their audit work.

Jim Rao then provided an update on state aid for FY13. Based on the numbers published by the House, state aid is now expected to come in approximately \$520K higher than the amount originally estimated and included in the warrant. However, the final number for state aid will not be known until June 30, 2012. There was then some discussion among the Finance Committee members as to what the estimate of state aid should be for Town Meeting. After a general discussion, Jim Rao proposed and that a slightly more conservative state aid figure is used to accommodate for any potential reductions from the current House projections. It was agreed that the Committee would assume an increase in state aid of \$475K from what was assumed in the warrant.

A question was raised regarding what happens if the state aid amount comes in higher after the budget is approved at Town Meeting. Andrea Terkelsen explained the approved budget remains unchanged and the tax rate is adjusted accordingly, thereby resulting in a tax reduction to the taxpayers.

Jim Rao then led a discussion on the recommendation for the use of these funds. There was general consensus to take a disproportionate amount of the funds to cover the L/S deficit, specifically \$290K. Of the remaining amount of \$185K, there were varying opinions on how these funds should be used including providing SPS and the Town with their pro rata portion of the \$185K as well as using all of the remaining \$185K and putting it into the Stabilization Fund. It was agreed to ask L/S, SPS and the Town for their views.

Scott Carpenter stated that covering the L/S deficit will be a positive message for the L/S staff. It will be the first year in many years without layoffs. He explained that L/S has plans to begin building capacity to support some SpEd students in-house that would otherwise be have been placed OOD. One position will be used for this purpose in FY13. Scott stated that he thought the remaining funds should be used to reduce class size town wide.

Susan Iuliano spoke first for SPS. She stated that the SPS School Committee understands the needs at L/S and is committed to a collaborative budget process. She explained that in negotiating with the SPS teachers regarding the GIC there was the understanding that SPS would get the benefit of the saving achieved by going to the GIC. The total savings were estimated to be approximately \$820K. Moreover, before use of these savings, there is a deficit of approximately \$248K in the FY13 No Override budget as compared to the FY13 Level Services budget. Susan stated that on a per student basis, SPS costs are well below those of peer communities. Moreover, she believes that if SPS doesn't get a portion of the \$185K remaining after the L/S deficit is covered, it will have a significant negative impact on contract negotiations with the SPS teachers.

Jeff Beeler also spoke for SPS. He stated that the SPS teachers view themselves as underpaid and that SPS per pupil costs are in the bottom third state wide. He agreed with Susan that if SPS doesn't get a portion of the \$185K it will have a negative impact on current contract negotiations.

Lisa Gutch also spoke, she agreed with Jeff and Susan and stated that it could be a real problem with the negotiations if SPS doesn't get a portion of the funds.

Bob Stein stated his observation that teachers' salaries may be low comparatively, but he believes that SPS administrators are amongst the highest paid in the state when compared to other K-8 districts. Susan Iuliano replied that when SPS per pupil administrative costs are considered, SPS is low.

Since no representative of the Town was available, Jim stated that the Town will be asked for their view at the next meeting.

Item 5 – Public Comment

There were no public comments.

Item 6 - Other Business

A motion was made by Chuck Woodard to approve the minutes of the February 7th meeting with the Lincoln Finance Committee. It was seconded by Joan Carlton. The motion was approved with 5 in favor and 2 abstaining (Kohen and Rao).

The minutes of the March 19th meeting were discussed and a change was agreed upon to clarify a paragraph dealing with the excess postage funds. A motion was made by Bill Kneeland to approve these minutes. It was seconded by Doug Kohen and unanimously agreed by the members of the Finance Committee.

Jim Rao stated that the next meeting would be at 7:30pm on Thursday, May 3rd. Joan Carlton requested that someone from the CPC attend this meeting to provide information on the financials for Article 30.

There being no further business, the committee adjourned at 11:05 p.m.