

**Town of Sudbury
Finance Committee
Minutes of Meeting
Monday, November 18, 2013
7:30 PM**

The Town of Sudbury's Finance Committee Meeting, held in the Flynn Building, and was called to order at 7:30 PM by Chairman Doug Kohen. Finance Committee members present for this meeting were: Doug Kohen, Joan Carlton, Susan Berry, Tammie Dufault, Robert Jacobson, William Kneeland, Mark Minassian, Robert Stein and Andrew Sullivan.

Item 1: General business

Members were asked to refer to the minutes of the meeting held on 9/16/13 that were previously circulated. The spelling of Tammie Dufault's name will be corrected throughout. With no further discussion, comments or questions on the minutes, Chairman Kohen asked for a motion to approve the minutes. The motion was so moved by Joan Carlton and seconded by Susan Berry. No further discussion. VOTE: The minutes were approved (9-0).

Members were asked to refer to the minutes of the meeting held on 10/21/13 that were previously circulated. With no further discussion, comments or questions on the minutes, Chairman Kohen asked for a motion to approve the minutes. The motion was so moved by Joan Carlton and seconded by Andrew Sullivan. No further discussion. VOTE: The minutes were approved (6-0) with three members abstaining: Tammie Dufault, William Kneeland and Robert Jacobson due to their absence from the 10/21/13 meeting.

Chairman Kohen invited Andrea Terkelsen, Town Finance Director, to present information regarding a cluster transfer previously circulated to the committee.

Ms. Terkelsen described the request to transfer \$15,801.53 from the Police Department salary account to the Highway Department Police Detail account. She explained this transfer was to cover the unexpected cost of police details needed during the Landham Road culvert improvement project for the safety of the project and its workers. Chairman Kohen asked for a motion to approve the request to transfer \$15,801.53 from the Police Department salary account to the Highway Department Police Detail account. The motion was so moved by Robert Jacobson and seconded by Tammie Dufault. No further discussion. VOTE: 9-0.

Item 2: Q&A with Representative Tom Conroy

Tom Conroy, Massachusetts State Representative, came to the Finance Committee for an informative question and answer session. The areas of interest were: State Aid, Special Education, OPEB (Other Post Employment Benefits) and Minuteman High School.

Mr. Conroy started the evening talking about State Aid and how the state received approximately \$369M more than they anticipated during the early part of FY13. These one-time revenues are results of taxes on capital gains from stocks/securities sales. The resulting revenues are all going

into the Stabilization Fund due to a new legislative law. Although these revenues seem high, the underlying predictable revenue stream is not anything different than the regular steady stream revenue. A disturbing trend is the unemployment rate; it is up to 6.6%. If this number continues to tick up, this will have an influence on income and sales tax and possibly a negative impact on allocating state aid next year. It would be prudent to assume flat aid this year.

Mr. Conroy next discussed the introduction of the new Minimum Wage Bill; the bill would introduce \$11.00/hr, which would be tied to the CPI (Consumer Price Index) for employees. There is also a 'Teen Minimum Wage' bill in consideration. This would allow a lower minimum wage for teenagers but there are factors to consider such as teenagers working to support a family at home. There is much work ahead to determine rules for the 'Teen Minimum Wage' bill.

Chairman Kohen moved the discussion into Special Education planning by asking Mr. Conroy to respond to the fact that Sudbury has a disproportionately large percentage of their budget allocated to Special Education and is there any proposals for legislation to provide additional aid. Mr. Conroy discussed Chapter 70 money. When Chapter 70 was created, numbers were based on assuming that 3.75% to 4.25% of all students needed some sort of special education support. The current reality is that 17%-25% of students need that support. The Chapter 70 formula is not adequate for the current population. In the year 2000, a Special Education line item was created, and in FY13 \$252M was allocated to it. That number is calculated based on an assumption of giving aid for 1% higher than provided by chapter 70, but Sudbury's costs are 4% higher. This is why Sudbury is seeing such shortfalls in the Special Education aid. Legislators do recognize that the cost of Special Education is increasing, but the fact remains that there is only a limited amount of money in Chapter 70.

Bob Jacobson asked about the possibility of consideration for legislation to allow towns to create a separate fund within Special Education to seed programs that would allow towns to keep students in-district? Mr. Conroy responded that thanks to a prominent Sudbury citizen, a bill has been pushed forward to create an education equivalent to a CPA fund so that funds could be matched through the grant process for programs that cannot be created through local taxes and fees.

Chairman Kohen asked if there is a possibility for Sudbury to get a larger portion of the State aid money. Mr. Conroy responded that the legislators need to advocate for more monies and towns have to think creatively about raising monies for education. It has to be done in such a way that is not a negative impact on businesses or citizens. New revenues need to be found. Mr. Conroy is continuing to be an advocate for Sudbury.

Ms. Dufault asked about transferring excessive funds into the Massachusetts stabilization fund and if there is a cap. Mr. Conroy responded that there is no cap. AG settlements in excess of \$10M and capital gains money will go into the Stabilization fund, but government has not been proactively sending money into that fund as part of budgeting process since 2008 and there is no legislation to return to that practice. There is too much pressure to send money back to towns for local aid.

Mr. Conroy went on to discuss OPEB. Sudbury has 2 regional OPEB liabilities: the regional high school and the town plus SPS. The Finance Committee is looking for some guidance in planning as a town how it should handle these liabilities. Possibilities include: 1. think about how Sudbury is investing trust fund money and decreasing the liabilities as best they can through good investment planning, and 2, start setting aside some money and speed up investment returns; minimize liability growth. A possible 3rd option: change those benefits. Possible ideas may be to grandfather current employees and have new options for newer employees. Making changes incrementally and, setting aside money incrementally might be the most prudent course. These liabilities might be 30 year long liabilities. Sudbury could think creatively and perhaps dedicate a specific revenue stream towards funding the OPEB liability.

Mr. Conroy then discussed the issues with Minuteman High School. Its member towns are responsible for all the capital expenses for the school. By law, non-member towns are not responsible for paying capital expenses. The high school needs to be upgraded and it is frustrating that all the capital expenses come from member towns while non-member towns use the school. Currently there is a regional agreement for the school, studying that agreement may give Sudbury some insight for future decisions. Mr. Conroy will advocate on Sudbury's behalf. Should a portion of non-member tuition go to the capital expenditure account? Currently, this is not the way tuition is set up by law. There is a bill currently to change the way non-member tuition is allocated.

Andrew Sullivan mentioned that there is a committee to try to put sewage in the commercial area of Rt. 20 and asked if there are any plans at the state level for funding. Mr. Conroy answered that this type of infrastructure has been needed for some time. Currently, the state is not allocating enough money for water and sewer projects. The funds will possibly come from MWRA rate increases, localities and some from the state, but no one has figured out the mix or when. Another possibility is the Water-Pollution Abatement Trust that allows municipalities to borrow money for these kinds of projects at the state level.

Bob Stein asked Mr. Conroy if the money to Sudbury since Representative Conroy has been in office has increased or decreased. Mr. Conroy did not have those numbers but committed to respond at a future date. Andrea Terkelsen also mentioned that those numbers are available in the Budget Books.

After Mr. Conroy left the meeting, Tammie Dufault expressed thoughts on the possibilities that may exist with unfunded mandates and the dollar for dollar impact to Sudbury's budget. Might Sudbury be better off if we were able to gather a local group of residents to lobby our representation on the mandate requirements. It was agreed to discuss this item at a future FinCom meeting.

Item 3: FY14 Budget Planning

- *Confirm FY15 budget calendar*, all meetings the same except 2/13/14 will be at 7:00 PM
- *Liaison meetings update*, liaisons have been meeting with their cost centers and will review answers to the FinCom questions at the next FinCom meeting.

- *Budget working group*, reaffirmed decision from 10/21/13 FinCom meeting to move forward with a budget working group that would consist of the two School Superintendents and business/finance managers, one member from each school committee, one Selectman, Town Manager and the town Finance manager, as well as two FinCom members. Ms. Dufault proposed that Bob Jacobson and Doug Kohen serve on behalf of FinCom and the committee agreed. FinCom reaffirmed that these would be open meetings subject to open meeting laws, and agreed to schedule the first meeting in January after budgets had been assembled.

Item 4: LSRHS reapportionment discussion

Chairman Kohen invited Radha Gargeya, Chairman of the LS School Committee, to address FinCom about reapportionment at LS.

LS' practice has been to maintain \$380K, which is about 1.5% of the LSRHS budget, in the E&D (Excess & Deficiency) account and then reapportion any remaining unexpended funds from each budget year.

In FY13 LS moved to the statutory budget model, which determines the assessment to each town using a formula determined by the state, which sets a minimum assessment to each town based on economic statistics from the towns, and the remainder of the assessment is determined by enrollment between the two towns in the high school. Prior to FY13, LS was just using enrollment to determine assessment to each town.

Lincoln-Sudbury had planned to stop reapportionment in FY14, with goals of funding a "partial restore" budget to backfill positions that had been eliminated in FY09-FY12, as well as start to fund OPEB and build up balances in the E&D (Excess & Deficiency) fund. E&D is LS' resource for increases in out of district tuitions, mid-year state cuts and emergency building/plant repairs. The E&D cannot be increased without going back to the towns and having a special Town Meeting.

As the plan to stop reapportionment was decided on late in the budgeting process it would have had an adverse impact on the other cost centers and so LS decided to continue reapportionment for FY14 and cease the practice in FY15. The result of this was that LS used the bulk of the increase in E&D to fund the gap in the "level service" budget, and were not able to fund the "partial restore" budget or set aside funds for OPEB or to build up E&D balances.

LS' plan is to discontinue reapportionment in FY15, and build up funds in the E&D account; the intention is not to use those funds to fill any operating budget gap. Chairman Kohen affirmed with Mr. Gargeya that the LS School committee would bring any requests to use funds from the E&D account to fund operating expenses in front of the Finance Committee for discussion.

Item 5: Route 20 Sewer Project Update

Chairman Kohen tabled this topic until the next FinCom meeting.

Item 6: Report on FinCom website proposals

Chairman Kohen tabled this topic until the next FinCom meeting.

Item 7: Public comments

None.

Item 8: Adjourn

Robert Jacobson made a motion to adjourn, Andrew Sullivan seconded. VOTE: 9-0. The meeting was adjourned at approximately 9:49 PM.