

**Town of Sudbury  
Finance Committee  
Minutes of Meeting  
Monday, September 15, 2014**

The Town of Sudbury's Finance Committee (FinCom) Meeting was held at the Flynn Building and was called to order at 7:33 pm by Chairperson Susan Berry. FinCom members in attendance were: Susan Berry, Mark Minassian, William Kneeland, Fred Floru, and Adrian Davies.

**Item 1: General Business**

A. Approve meeting minutes

Chairperson Berry had received several edits to the minutes of the June 16th meeting, but was not confident that all of the suggested corrections had been received and included. The Committee decided to postpone approval of the minutes until the October 6th meeting. Minutes from the May 5th meeting, the July 14th meeting, and the September 4th meeting will be forthcoming.

B. Transfers and Other Business

There were no transfers requested. Chairperson Berry noted that there the Town Planning Board was meeting on Wednesday, September 17th, to discuss the Route 20 Zoning Project. Members of FinCom were invited to attend. Finance Director Andrea Terkelsen mentioned that money would be appropriated from the Finance Director's budget to pay for FinCom members' access to a town finance committee website. FinCom will subscribe to the website and then assess if it provides members with useful information for addressing FinCom related matters.

**Item 2: FinCom appointment to CIAC**

FinCom appoints one member to the Capital Improvements Advisory Committee (CIAC). Larry Rowe, the FinCom appointee, resigned. Selectmen received applications from four people to fill three slots. Two people could not interview with the Selectmen, but may be considered for the FinCom appointed seat. Robin Berman submitted an application, but subsequently withdrew it. FinCom interviewed Susan Asbedian-Ciaffi for the position after reviewing her application. Mark Minassian motioned to approve Susan Asbedian-Ciaffi for the FinCom appointed seat. Bill Kneeland seconded the motion. Susan Asbedian-Ciaffi was approved for the appointment unanimously.

**Item 3: Additional Assignments**

A. Melone Advisory Committee

The Melone Advisory Committee is soliciting a volunteer from FinCom. The Advisory Committee will help hire a consultant to advise on what can and should be done with the Melone gravel pit. None of the members of FinCom present volunteered to be on the Melone Advisory Committee. Chairperson Berry will check with the members not present to see if they are interested in volunteering.

B. Fairbank Community Center Committee

The Fairbank Community Center Study Task Force also requested having a member of FinCom. None present volunteered.

C. Strategic Financial Planning Committee for Capital Funding

Andrew Sullivan is one FinCom member who has volunteered to be on the Strategic Financial Planning Committee for Capital Funding. Chairperson Berry informed FinCom that Joan Carlton has volunteered to be a second committee member of SFPCCF from FinCom.

**Item 4: Review of Fund Balances**

Andrea Terkelsen presented a review of fund balances. The entire Comprehensive Annual Financial Report (CAFR budget report) is available on the Sudbury website. The town has over 600 funds outlined in Section 1. A summary of Sudbury's fund balances is presented on page 67 of the report. The Government Accounting Standards Board (GASB) accounting statement #54, which came out in February 2009, calls out five specific classifications of reserves: nonspendable, restricted, committed, assigned, and unassigned. FinCom reviewed the five classifications of reserve balances as of June 30, 2013. Some commentary was provided regarding how the reserve balances had changed through June 30, 2014. Fifty-five percent of all residual fund balances reside in the General Fund. The Unassigned fund balance is the starting point for Free Cash calculation. Free cash is only certified for the General Fund and the three enterprise funds. The gravel mining revolving fund was closed out in FY13, generating \$1.2 million in Free Cash.

The Town has about 340 grant funds from Federal and State sources, 130 of which are active. Many funds have small residual balances which are difficult to use because they must be used strictly according to the terms of the grant. Mark Minassian requested further explanation of the largest funds within the Special Reserve Fund balance of \$715,124 as indicated on the materials provided. Fred Floru asked if the grants were budgeted for and accounted for in the general budget. Terkelsen responded that they were, with most of the grants residing in the school budgets. Occasionally, grants are presented as offsets to the gross numbers in the budget.

Committed funds are appropriated in the Town budget, but don't necessarily close out at the end of the fiscal year. They are considered "continuing appropriations." Assigned funds include Town carry-forwards. In the school budgets, they are called encumbrances. For the school budgets, teachers' salaries constitute the bulk of the encumbrances. By law, teachers' salaries only (not administrators) can be carried forward -- because they continue to get paid in July and August even though the fiscal year budget has been closed out. In FY14, assigned funds amounted to \$1,154,528. The balance of the committed funds are for items such as purchase orders.

The Stabilization Fund is included in the unassigned balance. It still may be used in accordance with town meeting guidelines, so \$3.7 million was certified as Free Cash. The full presentation

will be available on the Town website. Enterprise funds are, at least in theory, self-sufficient. The Transfer Station, Parks & Recreation, and the Pool Enterprise fund are examples of enterprise funds. The solar power energy generated at the Transfer Station is first used to offset town expenses, including school budgets. As the Town and school budgets generate energy savings, the amounts saved should go into the Stabilization Fund.

#### **Item 5: FY15 Goals**

Chairperson Berry brought up two goals for the committee to work on: long term planning and communications. How should FinCom factor in Free Cash, OPEB, and other considerations into its decision making? What factors should FinCom look at when deciding whether to reallocate funds among the cost centers? Secondly, how should FinCom communicate information to the public? Communication to the public is handled through the website. There, a FAQ addresses some of the most commonly asked questions, but the weblinks could be improved. Bill Kneeland reminded FinCom that a document was issued by FinCom last year on this subject and requested that it be redistributed.

#### **Item 6: Review of Code of Conduct**

The Chair distributed a Code of Conduct and Operating Procedures statement prior to the meeting. At the meeting, she proposed that FinCom vote to affirm it every year. However, she recommended postponing the vote until a meeting when more FinCom members were in attendance.

#### **Item 7: FY16 Budget Planning**

##### **A. Review of Budget Guideline Letters**

Budget Guideline letters for the last three years were distributed to FinCom members prior to the meeting. FinCom plans to draft a letter to the cost centers requesting budgets for FY16. The letter will include assumptions and guidelines regarding how FinCom expects the cost centers' budgets to be set as well as deadlines for submitting budgets.

##### **B. Review of Draft Calendar**

FinCom expects to have a draft of this year's Budget Guideline letter by the October 6th meeting. By no later than the October 20th meeting, FinCom expects to approve the letter. Before the October 6th meeting, members should at least establish contact with their liasons, and let them know they'll be working together. Before the December 8th meeting, FinCom members should meet with their cost center liasons. Terkelsen requested that members communicate a clear request to the cost centers that they need be ready to present an overview of their preliminary budgets at the December 15th FinCom meeting, when the liaison presents the Cost Center's responses to the set of questions in the Budget Guideline letter.

The Chair will distribute a spreadsheet to FinCom members with budget line items going back 5 years. She further suggested that at the Budget Hearings in February that the cost centers present their No Override budget and any optional budget in the same evening. The budgets were presented in this manner last year, and FinCom members from last year agreed this method worked well.

Bill Kneeland asked what was the maximum amount budgets could grow and stay within the 2.5% limit of Proposition 2-½. He further asked if this amount should be the starting point for budget guidelines or should we start with a lower guideline rate. Should the guidelines allow for one constant growth rate across all cost centers or should some be allowed to grow more than others?

#### **Item 8: Free Cash -- Preliminary Discussion Follow-up**

Chairperson Berry asked if we want to involve other groups in the formulation of FinCom's Free Cash policy. Someone noted that the Selectmen have a financial policy. There is one line indicating that the Town will use Free Cash to fund ongoing expenses. The Chair pointed out that the critical question is to what extent Free Cash should be used to offset the budget. Before developing a Free Cash policy, she suggested we determine whether or not such a policy would be useful to the Selectmen. Board of Selectmen Chairman Chuck Woodard, present, said he would personally welcome FinCom's guidance, but suggested that we should work with the Selectmen while drafting it. He further requested that we be mindful of unintended consequences. Andrea Terkelsen suggested that FinCom should take the time to consider feedback on the policy from different interest groups. She reminded FinCom that the Town often budgets expenses up to the levy limit (how much taxes can be raised without an override), but then all of those taxes aren't actually collected. The DLS website may provide some information that will be helpful in the formulation of a Free Cash policy.

The Chair said she would look for other towns' policies or other information that might help us in the formulation of a policy. We will put the item on the agenda for the October 6th meeting and commit time to it. Fred Floru suggested that the policy include an appendix explaining the reasoning that led to each item in the policy. The policy is more likely to be honored by future FinComs if they understand our reasoning. Andrea Terkelsen added that a policy should be flexible enough to accommodate different operating environments in which the Town operates. There are multi-year periods when significant amounts of Free Cash are generated, and other periods when no Free Cash is generated.

#### **Item 9: Public Comments**

John Baranowsky of 103 Belcher Drive spoke. He referenced a Town Forum when Pat Brown highlighted that the Town's number one issue was Free Cash finance and the Department of Public Works capital financings. He felt that we should not have to ask other towns what our Free Cash policy should be. He felt that the framework was implicit in Andrea Terkelsen's presentation. He felt that the Town was "rolling in cash" and shouldn't need to increase the tax levy by 2.5%. He suggested that maybe a 1% increase would be warranted. The DPW ended up with 10 new vehicle leases, and students ended up with Chromebooks that all broke. Free Cash should go back to the taxpayer. Proposition 2-½ restricts spending on the way up, but there are times when services demanded decline. Spending should fall if demand for services also declines. Sudbury is the eighth most-taxed municipality in the state according to a recent newspaper article. Acton and Concord spend less and yet have higher MCAS scores. LS teachers are the highest paid teachers in the state. He hoped these matters would be discussed at the next Town Forum on October 23rd.

Selectman Chuck Woodard responded. The DPW ended up getting 70% of what they asked for. The reason our taxes are so high is because there are so many kids that live in the Town. Seventy-five percent of our budget goes to the schools. On the basis of educational spending per student, Sudbury's K-8 is efficient. At the regional high school, spending is a little on the high side, but we aspire to have a top performing high school. Netting out school spending, spending on town government is below average.

Andrea Terkelsen added that Section 7 discusses capital spending. It should explain the situation at the DPW.

**Item 10: Adjourn**

Fred Floru motioned to adjourn. Bill Kneeland seconded the motion. The motion passed unanimously. The FinCom meeting adjourned at 10:09 pm.