

**Sudbury Finance Committee
Meeting Minutes
November 27, 2017**

ATTENDANCE

Finance Committee Members Present: Bryan Semple, Chairman
Jeff Barker, Vice Chairman, Jeff Atwater, Susan Berry, Adrian
Davies, Jose Garcia-Meitin, Eric Poch

Absent: Joan Carlton, Tammie Dufault

Also Present: Dennis Keohane, Finance Director/Treasurer
Collector, Pat Brown, Board of Selectmen, Bella Wong,
Principal/Superintendent, Lisa Kouchakdjian Sudbury Public
School Committee

CONVENE:

Chairman Bryan Semple called the meeting to order at 7:00 p.m.
The meeting convened at the Silva Room, Flynn Building, 278 Old
Sudbury Road, Sudbury, MA 01776.

ITEM 1: Public Comment

Chairman Semple opened this portion of the meeting for Public
Comment. There were no public comments.

ITEM 2: General Business

- **Approve Meeting Minutes**

There were no meeting minutes to approve.

- **Transfers**

There were no transfers to approve.

- **Liaison Reports**

Jeff Barker as Liaison to Lincoln-Sudbury Regional High
School (LSRHS) reported on his meeting with LSRHS
Administrators, Bella Wong, Principal/Superintendent, and
Sherry Kersey, Finance Director regarding the Excess &
Deficiency (E&D) account relative to several upcoming
projects. Mr. Barker stated that there is a certain amount
of money, up to 5% of the LS Operating Budget that can be
retained in the LS E&D account. Mr. Barker also stated that
the capital projects under discussion by the Finance
Committee for potential funding from the E&D account are a
new phone system, water heater tower, and security cameras.
Ms. Wong added that once certified the dollar amount in the
E&D would be \$950K and at 5% of the budget the capacity
would be \$1.5M. She stated that E&D is used for
extraordinary expenses, which are either capital projects

or operational use. Ms. Wong provided background information on the request from the Town of Lincoln to participate in Sudbury's capital process for ordinary and capital needs. Ms. Wong stated that the security cameras would be for safety and the water heater for maintenance. She summarized capital needs as part of long-term planning.

Mr. Barker also reported on his conversation with Ms. Wong on students from Hanscom. Ms. Wong confirmed that there are eight students from Hanscom that are counted as part of the Lincoln assessment. Ms. Wong noted that the Town of Lincoln is not being compensated by the State for this expense.

Susan Berry reported that the Finance Committee would receive all of the Multiyear Data Comparisons Reports with the updates on FY17 actuals at the December 11th meeting.

Chairman Semple stated that he watched the SPS Budget meeting, and suggested that members watch the budget meetings from the Cost Centers. He added that the information would help inform the Finance Committee during its budget deliberations. He stated that SPS has a variety of requests and are looking at a budget increase of 3.9%. Chairman Semple summarized the SPS presentation including a permanent substitute teacher item in the budget.

ITEM 3: Town Manager 3 Year Budget Presentation

Chairman Semple opened this item for discussion and welcomed Town Manager, Melissa Murphy-Rodrigues.

Ms. Murphy-Rodrigues spoke briefly about the financial management and responsibilities of the Town Manager as well as the importance of financial forecasting.

Ms. Murphy-Rodrigues presented an outline on the financial condition of the Town of Sudbury. She described the Town's financial inventory. Ms. Murphy-Rodrigues spoke about the significance of submitting a Financial Forecast. She stated that a forecast of projected revenues and expenditures is a useful management and policy-making tool that enables a municipality to evaluate and make smart policy choices. She also stated that a forecast could serve as an early warning system to detect future gaps between revenue and expenditures. Ms. Murphy-Rodrigues described what is involved in revenue forecasting. She stated that there are four major categories of revenue: Real Estate and Property Taxes, Intergovernmental Aid, Local Receipts and other available funds. Ms. Murphy-Rodrigues presented an overview on each of the four revenue categories. She outlined revenue projections for the next three years. She stated that projections are based on a 2.5% increase in the tax levy.

Chairman Semple stated that philosophically he is disappointed that the assumption is that taxes will be raised by 2.5% every year. Dennis Keohane stated that although the revenue projections represent a 2.5% tax increase, it also contains a conservative growth number. Ms. Murphy-Rodrigues summarized projections for potential town-wide expenses. A lengthy discussion followed on OPEB, debt service, the Town Managers capital budget and Free Cash as well as the impact on the average homeowner's tax bill.

Ms. Murphy-Rodrigues outlined the budget process timeline. Ms. Murphy-Rodrigues stated that meetings are scheduled this week to discuss draft changes to the five-year capital plan. A general discussion followed.

ITEM 4: Review of the Capital Funding Process Draft

Chairman Semple opened this item for discussion. The Finance Committee reviewed the Strategic Financial Planning Committee for Capital Funding's six-month timeline. A general discussion ensued on deadlines and milestones that are missing from the draft. Chairman Semple stated that at some point he would like to talk about the projects that were on the five-year plan for FY19 but didn't make it on a warrant article and why they have not been recommended by the CIAC.

ITEM 5: OPEB Update - 2015 Calculations and Impact on Budget Reconciliation, Potential Vote

- Review recommendations from OPEB Guidance Committee

Chairman Semple opened this item for discussion and recapped the concerns from the November 13th meeting. Dennis Keohane presented the recommendations from the OPEB Guidance Committee. He stated that there were four recommendations in the report from January 6, 2015. He stated that the first one was to create and formalize a liability trust fund, which the Town has done. The second one was to begin funding the annual "normal cost" starting in FY16. The third recommendation was to start funding the total unfunded liability in FY16. The fourth one was to consider future actions to fund the remaining cost. Mr. Keohane stated that the basic premise of this report is to fund the normal cost which will be covering the cost of the current employees with the current benefits and future benefits. Mr. Keohane explained how the cost is calculated. He stated that the number that was used for the normal cost was miscalculated and that the Town is not fully funded. Mr. Keohane stated that to be fully funded according to the Actuarial report; the 7/1/2013 number should have been, \$1,354,526 at the discount rate of 3.5%. He explained that the 7/1/2013 valuation normal cost is based on a discount rate of 7.5%. Mr. Keohane talked about the discount rate and explained how the discount rate is applied. He

stated that as of 7/1/2013 the Town was not fully funded for the OPEB normal cost. Mr. Keohane spoke about using a blended rate of 5% to fully fund the OPEB normal cost. A discussion followed with suggestions on how to fully fund the liability and keep it from growing. Mr. Keohane suggested focusing on reaching the Required Annual Contribution of \$3.3M as a goal.

ITEM 6: Public Comment

There were no public comments.

ITEM 7: Future Agenda Topics

Chairman Semple reviewed future agenda topics with the Committee. He noted that Exhibit 1 of the Budget Guidance Letter would be discussed at the next meeting. The Finance Committee will also discuss the LS E&D policy as well as the vote on OPEB.

ITEM 8: Adjournment

Motion and Vote:

Susan Berry moved, and Adrian Davies seconded the motion that the November 27, 2017, Finance Committee meeting adjourn at approximately 10:30 p.m.

The motion carried. The vote was unanimous.

Next scheduled meeting of the Finance Committee is Monday, December 11, 2017, at 7:00 p.m.

Respectfully Submitted: Cheryl Gosmon, Recording Secretary