

**Sudbury Finance Committee
Meeting Minutes
January 22, 2018**

ATTENDANCE

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

Absent: Jeff Barker, Tammie Dufault

Also Present: Dennis Keohane, Finance Director/Treasurer Collector, Sherry Kersey, Finance Director and Bella Wong, Principal/Superintendent of Lincoln-Sudbury Regional High School

CONVENE:

Chairman Bryan Semple called the meeting to order at 7:00 p.m. The meeting convened at Town Hall, Lower Level, 322 Concord 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 Budget Transfers to approve.

- **Liaison Reports**
There were no Liaison Reports

ITEM 3: LS Budget Presentation and Deliberation

Chairman Semple opened this item for discussion and began with a review of the LS budget reconciliation sheet. Sherry Kersey summarized costs associated with COLA, steps and lanes, benefits and pension assessment. She stated that for the OPEB Normal Cost, she put in the valuation for the July 1, 2015 report for fully funded normal cost. Chairman Semple suggested that Ms. Kersey and Ms. Wong talk with Town Manager Melissa Murphy-Rodrigues who has an actuarial assessment that is different. He noted that the Finance Committee will have a discussion at its Thursday meeting to understand better the new actuarial methodology the Town is using. He added that the goal is to have consistency between the two cost centers. Ms. Kersey continued

with a review of out-district tuitions. Ms. Kersey noted that the out-of-district tuition costs as noted on the budget reconciliation sheet are going down, but are based on the FY18 information. She added that for FY20 and FY21 estimates are for a 4% increase in out-of-district tuition and new placements. A brief discussion followed. Ms. Kersey continued with a review of the Circuit Breaker offsets, as well as special education and regular education transportation costs. Ms. Kersey stated that there are no mandated new additions planned for FY19 but that there are new additions for critical needs that LS is proposing. Ms. Kersey stated that these critical needs are an increase in FTEs to address large class size, which is a net .58 FTE add request. Ms. Kersey stated that under the category of other, which includes textbooks, utilities, misc. supplies, it is going up by \$88K. Ms. Kersey concluded her review of the budget reconciliation sheet. She noted that the proposed FY19 is a \$1,362,697.00 increase or a 4.62% increase over FY18. This proposed budget includes OPEB and debt. A discussion followed on salary increases, using E&D funds, and the shortfall of more than \$400K. Chairman Semple stated that the Finance Committee would need an update on salaries, and a breakout on other cost.

Following the discussion on the budget reconciliation sheet, Bella Wong presented the Finance Committee with a first look at the Lincoln-Sudbury Regional High School Proposed FY2019 Budgets. Ms. Wong outlined what this proposed budget supports, which are the LS core values, and goals for school improvement. Ms. Wong added that this budget also supports the capacity to recruit and retain high qualified faculty and staff. She also added that this budget supports an educational program that fosters student growth for post-graduate success. Ms. Wong outlined factors affecting budget assumptions. She also outlined the FY19 Budget Overview. She stated that the FY19 budget incorporates the following:

- New teacher compensation agreement
- Maintains current educational program
- Partial restoration of lines reduced for FY18
- Makes financial assumptions on best data available
- Reallocation and increase of FTE to balance class size
- Addresses Lincoln Budget Guidance
- Addresses Sudbury Budget Guidance

Ms. Wong presented a spreadsheet on the newly negotiated compensation for the next three years. Chairman Semple noted that the compensation represents a 2%, 2.5% and 3% growth. He stated that he could check neighboring towns to see how they have negotiated their COLAs, but that at the end of the day the projected increase in the budget including salary increases is 4%, 4.5%, and 5% increase. Chairman Semple expressed concerned for the long-term impact on the budgets. Ms. Wong stated that

health insurance has increased significantly. She added that it is reasonable to expect some increase when other costs are going up. She also added that there are many pressures on the budget and that she is strategizing to manage those costs. A lengthy discussion followed on COLAs.

Ms. Wong continued with budget assumptions, which included the following:

- Federal and state grants level funded
- Reduction to anticipated state Circuit Breaker reimbursement
- 10% increase in health insurance
- 6.8% increase in non MTRS pension funding
- 5% increase in regular education transportation
- Partial restoration of funding for instructional capital
(\$25,000)
- 2% increase in expenses
- Increase contribution **(\$24,402)** to fund OPEB accrued liability
- No adjustment to current student fee structure

Ms. Wong presented a graph of the current median class size by department, as well as a graph of the percentage of students in median class size at or above 25. Ms. Wong stated for science, this year, 54% of the students are in a class of 25 or higher. Ms. Wong outlined large class size for advanced placement math courses and science, noting that 80% of freshmen who take the Earth Science I course are in a class of over 25 students.

Ms. Wong presented a graph outlining enrollment projections for the next five years by grade. Ms. Wong also outlined proposed adjustments to the educational program. Ms. Wong stated that the proposed FY19 budget is a 4.62% increase and reflects a level program, partial restoration of instructional capital and a net increase of .58 FTE professional staffing. Ms. Wong stated that there is a funding gap between the budget as presented and the 3.6% allowed for in the Town Manager's budget. Ms. Wong outlined proposed adjustments and reductions to reduce the gap. A lengthy discussion followed on the process of using E&D funding and OPEB costs.

Ms. Wong presented a progression of adjusted budget numbers, an outline of OPEB funding history, and reductions without the use of E&D. Ms. Wong described the impact to average class sizes if teacher reductions were to occur because of not using E&D funding. Ms. Wong also presented a summary of the FY19 proposed budget by major account categories, noting relative increases and minor reductions. Ms. Wong stated that LS is asking for a 4.36% non-override budget with \$250K from E&D. Ms. Wong stated that the FY18 allocations for salaries (61%), insurance (9%),

and pension (2%) are 72% and will shift to 73% for FY19. Chairman Semple stated that he is not sure there is agreement on how the budget is growing because the numbers on the reconciliation sheet don't reflect that in terms of the magnitude and the dollars that are going out. He added that the Finance Committee wants to be clear on its explanation of the LS budget drivers at Town Meeting.

The presentation continued with an outline on a three-year projection of out-of-district expense, special education tuition, and circuit breaker funding. Ms. Wong also presented a review of the LS Assessment and revenue forecast. Ms. Wong presented a summary of the capital request based on the regional agreement and the budget timeline. Discussion followed.

Chairman Semple stated that the Finance Committee would expect from Ms. Wong a breakout of the other salary line item (#35) of \$88K, the E&D open question, a copy of the most recent Memorandum of Understanding between the Lincoln Sudbury Regional School District and the Lincoln Sudbury Teachers' Association, the Multi-year Data Comparison, and OPEB.

Chairman Semple opened the floor to public comment and recognized School Committee member, Radha R. Gargeya. Mr. Gargeya offered additional commentary on the LS Assessment.

The Finance Committee took time to deliberate some of the key elements of the LS proposed FY19 budget. Jose Garcia-Meitin expressed concern on covering a non-recurring revenue source with what he perceives to be a growing and recurring expense. He added that the entire E&D fund could be depleted in three years. Joan Carlton stated that it is important to explain on Town Meeting floor that the use of E&D funds in FY19 would lead to an override of cuts in service in FY20 unless LS finds a way to make up the gap in FY20 without the use of E&D funds. A brief discussion followed on whether the use of E&D would come before Town Meeting as a warrant article.

ITEM 4: Discuss Town Meeting Budget Process (follow on discussion)

ITEM 5: Discuss Capital Funding Sources and Impact on Tax Bill

Chairman Semple opened this item for discussion. He stated that this is a quick review of funding sources for various Town Meeting Warrant Article. He presented a spreadsheet that would outline the cost to the taxpayers as a tax increase versus using available sources. Chairman Semple noted that there is \$365K in Capital expenses that could be expended from Free Cash as an alternative capital funding source. He added that the key issue is the funding source because this is what drives/impacts the

tax rate. He noted that the capital warrant article has not been written or posted but that the Finance Committee can consider these requests and come forward with questions. Chairman Semple stated he would invite the DPW Director, and a representative from CPC in to talk with the Finance Committee on the proposed warrant articles. Susan Berry noted that there would be a joint meeting with the Board of Selectmen in February to discuss capital articles.

ITEM 6: FinCom Report Draft/Direction

Chairman Semple led the discussion on this item. He stated this report would be included in the Town Meeting Warrant. He expressed his appreciation to Susan Berry for her edits. The Finance Committee considered the report for the Annual State of the Town Report. After a brief discussion, it was determined that Chairman Semple would re-write the report and bring the draft back to the Committee for review at the Thursday, January 25th meeting. The Finance Committee continued is a review of the document as an outline for their presentation at Town Meeting.

ITEM 7: Future Agenda Topics

Chairman Semple stated that future agenda topics include the SPS Budget presentation, OPEB update, and a review of the FinCom Report.

ITEM 8: Public Comment

There were no public comments.

ITEM 9: Adjournment

Motion and Vote:

**Susan Berry moved, and Joan Carlton seconded the motion that the January 22, 2018, Finance Committee meeting adjourns at approximately 10:00 p.m.
The motion carried. The vote was unanimous.**

Next scheduled meeting of the Finance Committee is Thursday, January 25, 2018, at 7:00 p.m.

Respectfully Submitted: Cheryl Gosmon, Recording Secretary