

TOWN OF SUDBURY FINANCE COMMITTEE

MONDAY MARCH 3, 2025

7:00 PM

IN JOINT MEETING WITH SELECT BOARD

(Meeting can be viewed at www.sudburytv.org)

ZOOM Meeting

Present: Finance Committee Members - Chair Michael Joachim, Co-Chair Michael Ferrari, Eric Poch, Andrew Bettinelli, Henry Sorett, Ryan Lynch, Andrew Sousa, John Baranowsky, Karl Fries

Present: Select Board Members - Chair Jennifer Roberts, Vice-Chair Daniel Carty, Select Board Member Lisa Kouchakdjian, Select Board Member Janie Dretler, Select Board Member Charles Russo

Staff Present: Town Manager Andrew Sheehan, Finance Director Victor Garofalo

The statutory requirements as to notice having been compiled with, the meeting was convened at 7:05 PM, via Zoom telecommunication mode.

Call to Order

Chair Michael Joachim called the Finance Committee meeting to order. Finance Committee roll call: Poch-present, Bettinelli-present, Sorett-present, Lynch-present, Sousa-present, Baranowsky-present, Fries-present, Joachim-present, Ferrari-present (announced his presence when he joined the meeting at approximately 8:15 PM)

Select Board Chair Jennifer Roberts called the Select Board meeting to order. Select Board Roll Call: Kouchakdjian-present, Dretler-present, Carty-present, Roberts-present, Russo-present (announced his presence when he joined the meeting at approximately 8:10 PM)

Public comments

Resident Kevin Matthews, 137 Haynes Road, noted that he was speaking as a resident and not as a member of the LSRHS committee. He mentioned ramifications associated with the proposed energy stretch code Town meeting article. Mr. Matthews stressed the need to examine the likely negative impact on the Capital Budget.

Resident Manish Sharma, 77 Colonial Drive, mentioned update regarding the LSRHS School Committee Agreement between the towns of Sudbury and Lincoln. He inquired about percentage of State funding regarding LS and other financial aspects.

Resident Ralph Tyler, One Deacon Lane, requested that FinCom consider completion of the walkway project; he expressed his disappointment regarding the rental of space at the Fairbank Community Center. He requested that this topic be discussed during this meeting.

Town FY26 Budget Hearing

Town Manager Andy Sheehan presented the “Town Manager’s Proposed FY2026 Budget” PowerPoint which included:

Home Rule Charter

Backdrop

AAA Rated Community – stable outlook

Government Finance Officers Association Guidance (GFOA) – award recipient

Budget Calendar Outline (3/3/25 FY26 Budget Hearing Joint meeting with FinCom and Select Board; 3/31/25 FY26 FinCom Budget Report)

Revenues

- R.E. and Personal Property Tax
- State Aid
- Medicaid Reimbursement
- Local Receipts
- Other Available revenues (filing fees, excise tax, etc.)
- Free Cash

Expenditures (Town Departments)

- Education
- General Government
- Public Safety
- Public Works
- Human Services
- Culture and Recreation

Unclassified Areas

- Reserve Fund
- Town-wide operation and Transfers
- Town Debt Service
- State & County Charges
- Employee Benefits (Town & SPS)
- OPEB Trust Contribution (Town & SPS)

Total Expenditure = \$131,851,238 for FY26 (increase of 5.44% over FY25)

FY26 Budget Discussion

Select Board Member Janie Dretler inquired about the reserve fund in relation to unexpected expenses throughout the year, such as legal fees, weather-related situations, COVID-related expenses, etc. Town Manager Sheehan

agreed with unexpected expenses as mentioned by Board Member Dretler and also exemplified heating and system failure incident. He added that such emergency funds do not have to be approved of at Town Meeting.

FinCom Member Ryan Lynch asked about funds being transferred to the General Government category. Town Manager Sheehan detailed that the Sustainability position was being transferred to General Government funds from Public Works funds.

FinCom Member Baranowsky inquired about General Government funds regarding senior management. Town Manager Sheehan summarized particular positions as a result of upcoming retirements (Human Resources and Law departments). He added that the Assistant Town Manager position would not be filled, and Finance Director Victor Garofalo would be assuming some of those tasks.

Town Manager Sheehan presented Budget Book Modifications (since 1/29/25)

- Sustainability Coordinator position relocated from Public Works to General Government
- Numerical correction with respect to match for Public Works emergency center

Town Manager's Budget Guidance

- Town Manager Sheehan mentioned significant increase in health insurance since original guidance was presented.

Town Manager's Department Divisions

- General Government to include Human Resources, Law, Finance, Assessors, Treasurer/Collector, Information Systems, Town Clerk, Conservation and Planning
- Public Safety to include Police, Fire and Building
- Public Works to include DPW – Engineering, Street & Roads, Trees and Cemeteries, Parks and Grounds and Combined Facilities
- Human Services to include Health Department, Senior Center and Veterans Affairs
- Culture & Recreation to include Goodnow Library, Recreation, Historical Commission and Historical Districts Commission
- Town-wide operations to include postage, copying, Town Manager’s office, Election audits, etc.

FY26 Budget Discussion

FinCom Member Henry Sorett inquired about the previous Sustainability Coordinator. Town Manager Sheehan responded that the Sustainability Coordinator brought in more monies when compared to her salary and benefits.

FinCom Member Poch asked if the proposed Sustainability Coordinator would be involved in measurable goal-setting. Town Manager Sheehan responded that the position would be cost neutral and noted that Federal grant-funding is decreased at this time, he added that such goals/progress would be reported by the individual filling the position.

Town Manager Sheehan presented “Budget Highlights – Revenue”

- Local Receipts Increase 10.68% Increase
- Investment Income 142.00% Very substantial increase

- Motor Vehicle 11.83% Increase
- State Aid (final numbers unknown until June 2.53% Increase (estimated))

Town Manager Sheehan presented “Budget Highlights – Expenditures” noting that level-funding would prevail.

- Budgets include steps for eligible employees
- Five collective agreements settled: Police Officers and Engineers remain unsettled
- Level Service Budget
- No new initiatives
- Increase in headcount in DPW and Senior Center
- Decrease in headcount in Police due to regionalization of dispatch center
- Overall decrease in headcount on municipal side

Town Manager Sheehan addressed “Budget Highlights – Position Changes”

- Town Manager’s Dept. – Sustainability coordinator will now be under Town Manager
- Public Works – Add a LEO (Light Equipment Operator) in the Parks & Ground Division; transfer Sustainability to General Government
- Goodnow Library – Consolidate several part-time positions to create one full-time Reference Librarian position
- Senior Center – Increase hours of Part-time Receptionist to a full-time position, as well as creating a Part-time Program Assistant

Town Manager Sheehan presented Budget Highlights – Town FTE. He detailed that the FY26 Total FTE reflects 180, and FY25 FTE is currently 183.

FY26 Budget Discussion

FinCom Member Karl Fries asked how many FTEs are unfilled. Town Manager Sheehan responded that there are currently 7 vacancies in the Fire Department, one (1) in the Police Department, the Human Resource Department Director and the Sustainability Coordinator. He noted that last year the vacancy reflected approximately 20% in Public Works (which has been closed significantly).

Town Manager Sheehan acknowledged that several surrounding communities reflect similar vacancy numbers due to a transitory labor market.

FinCom Member Karl Fries asked about budget variances on salaries over the past couple of years. Town Manager stated that he would research that aspect; he noted the number of vacancies and duration of those vacancies is a contributing factor in the Free Cash numbers this year, noting a revenue component to Free Cash and an expenditure component.

Town Manager Sheehan reviewed School Department Budget for FY26

- Sudbury Public Schools – 3.26% increase from FY2025; SPS FY26 Guidance was increased by \$120,000, and employee benefits guidance SPS was increased by \$97,983

- LSRHS Assessment – Sudbury’s enrollment % of assessment continues modest decline: FY26: 87.24%, FY25: 87.31%; FY24: 87.44%. Assessment for next year increasing 3.00% (\$30,252,405)
- Vocational Education – FY26 Budget - \$400,000 covering tuition and transportation (Reduction of \$50,000); Forecasting reduced enrollments

FY26 Budget Discussion

FinCom Chair Michael Joachim stated that the Town would be subsidizing the Ch. 70 piece of the SPS budget.

Debt Service – Town Manager Sheehan provided related summary; he acknowledged that debt service is funding projects that have already been appropriated and debt that has already been authorized.

- FY26 Budget - \$4,969,223 – Debt service increasing 1.47%
- Last Bond Sale: 1/23/24: 3.53% net interest rate
- Debt service for previously approved borrowing
- Authorized/Unissued Debt – Atkinson Pool (\$2,350,000)
- Does not include debt payments for new projects, as these will not hit until FY2027

FY26 Budget Discussion

FinCom Member Eric Poch asked about progress with the Vocational Education goal. Town Manager Sheehan explained the Select Board is reaching out to several vocational education schools in the area and securing membership is more challenging at this time. He added that the Town will continue with out-of-district student placements.

FinCom Member Henry Sorett opined about Sudbury and other communities creating a new vocational school. Town Manager Sheehan commented that he had not heard of any such coordination recently and confirmed that Legislature and State Education boards would have to be involved.

Select Board Member Lisa Kouchakdjian commented that such a newly created vocational education school might not be able to compete with other existing vocational schools with specialties established.

Select Board Chair Jen Roberts confirmed that the vocational education goal has been a primary Select Board goal for several years and the Board continues to encourage the Town and especially Town legislators to help advance this goal.

Employee Benefits (Town & SPS)

- Overall Increase \$1,485,924 (9.01%)
- Total Employee Benefits Budget: \$17,973,338; Town = \$7,637,358 (6.9% Increase); School = \$10,335,980 (10.6% Increase).

OPEB Trust Contribution

Town Manager Sheehan confirmed that the OPEB contribution has remained the same for the last several years, with no negative comments from raters or auditors.

- FY2026 Request: \$650,000 – Level Funded

- Town & SPS OPEB Obligations
- OPEB Trust changed to pay retiree health insurance premiums
- OPEB Unfunded Liability: \$53M
- OPEB Fund Balance: \$16M

Unfulfilled Request

Town Manager Sheehan noted that several requests have been fulfilled this year and that several remain.

- Public Works: 3 Light Equipment Operators (LEO): Trees & Cemetery, Streets & Roads, and Parks & Grounds
- Police: Sergeant (1)
- Fire: Fire Inspector/Fire Prevention Officer
- Park & Recreation: Support/Program staff – with special consideration of extending hours at the Fairbank Community Center

Capital Plan

Town Manager Sheehan stated that much time this evening had been spent on consideration of the capital articles last week. He detailed that the total FY26 Capital Plan reflected \$11,454,120.00.

FY26 Budget Discussion

FinCom Chair Michael Joachim mentioned that the ambulance replacement item and the Atkinson Pool item would be funded by the Tax Levy and the ambulance fund. Town Manager Sheehan responded that the ambulance replacement would reflect 5-year borrowing and payment from debt service out of the ambulance reserved receipts appropriation account (about \$150,000 per year).

Town Manager Sheehan confirmed the Atkinson pool would be within levy debt, and the two school roof replacement projects would likely be excluded debt with reimbursement from the MA School Building Authority (MSBA).

Budget Highlights – Free Cash Usage

Town Manager Sheehan provided itemization of Free Cash Usage.

- FY2025 Certified Free Cash - \$7,271,136
- FY2026 Usage - \$4,770,720: Capital Article - \$2,920,720; Stabilization Fund - \$400,000; Capital Stabilization Fund - \$650,000; Pension Stabilization Fund - \$175,000; Accrued Leave Reserve - \$25,000; Snow Deficit - \$600,000 (estimated) – Current \$300K
- Free Cash Carry Over - \$2,500,416 (34%)

Town Manager Sheehan detailed aspects associated with “Financial Policies – Capital Stabilization Fund”

- Maintain a minimum balance of 2% of the prior years’ General Fun Budget in its capital stabilization funds.
- Target balance should be sufficient to cover the Town’s cash outlay for capital.

- Withdrawals from the Capital Stabilization Fund should be avoided until the target balance has been achieved.
- Town will seek to make annual contributions to the fund until the target balance is achieved.

Town Manager Sheehan reiterated that the Division of Local Services (DLS) recommended in their previous report that the Town would benefit from having more in-levy debt going forward.

FY26 Budget Discussion

FinCom Chair Michael Joachim asked if the Town Manager considered going to the 2% this year. Town Manager Sheehan responded the intent would be to meet the guidance for Free Cash when reviewing the local policy; however, the DLS notes that a revised free cash guidance has been offered suggesting 5% to 7% of the budget.

FinCom Member Michael Joachim stated that Finance Director Victor Garofalo has been keeping FinCom updated regarding these local policies regarding free cash.

FinCom Chair Michael Joachim opined about considering further discussion regarding the transfer of some of Free Cash funds into the Stabilization Fund and related disbursements. Town Manager Sheehan concurred with the benefit of such discussion.

FinCom Member Eric Poch strongly recommended that firstly, everyone consider if DLS guidance regarding Free Cash is best for Sudbury; and secondly, if the prescribed Stabilization Fund amount for this year or next year could be better viewed for consideration of a disbursement strategy to align with an overall capital improvement plan. Town Manager Sheehan agreed with having a clear understanding of what might be the best way to make use of the funding mentioned.

FinCom Chair Michael Joachim suggested that the Select Board and the Finance Committee form a subcommittee to further examine this aspect. Select Board Member Janie Dretler stated that the Select Board would likely have a discussion about such a policy, as the Select Board approves and initiates such policies. She added that the Select Board would welcome input from FinCom regarding those policies. Select Board Member Janie Dretler asked Town Manager Sheehan if the withdrawal of Stabilization Funds at Town Meeting would require a two-thirds vote. Town Manager Sheehan responded in the affirmative.

Select Board Vice-Chair Dan Carty asked to see a listing of all stabilization funds with balances (such as the Turf Stabilization Fund). Town Manager Sheehan stated that information would be gathered and presented.

Town Manager Sheehan indicated the importance of the General Stabilization Fund (the true “rainy day fund”) which would cover true emergency situations when there is no other funding source available. He noted that many communities used their stabilization fund monies in 2009-2010 during the “great financial crisis” when steep reductions in State aid took place, as well as in 2020 during prime COVID times. He mentioned consideration for a proposed Pension Stabilization Fund which might help in the near future (2030s).

Looking Ahead

Town Manager Sheehan presented Looking Ahead topics, including:

- The Town needing a long-term plan for sustainable Operating and Capital Budget

- Fixed costs rising faster than revenues – Benefits: insurance, pension; Wages: challenging labor environment; Debt: increase in-levy debt for Capital
- Unable to add capacity necessary to provide services expected by residents
- Not providing override in FY26, but cannot guarantee the same in FY27 and beyond

Town Manager Sheehan said the above challenges are affecting many MA communities and close monitoring on Beacon Hill in regard to the Empowerment Act.

FY26 Budget Discussion

Select Board Vice-Chair Dan Carty agreed with comments made by FinCom Chair Michael Joachim regarding examining benefits under the SPS budget. He mentioned that receiving such documents in advance would be most helpful. Select Board Vice-Chair Dan Carty requested a draft comparison report to detail the benefits to Town retirees vs. benefits for active Town employees. Town Manager Sheehan confirmed that he and Finance Director Victor Garofalo could discuss such a comparative model.

FinCom Member Karl Fries inquired about revolving fund concerns. Finance Director Victor Garofalo responded there were no associated concerns. He added that investment income was well over expectation, which helps with the budget balance. He confirmed that revenue numbers presented were exact.

FinCom Chair Michael Joachim recommended that another meeting with Town Manager Sheehan and Finance Director Garofalo take place to review items mentioned.

Select Board Vice-Chair Dan Carty suggested a quarterly meeting with the Select Board and the Finance Committee to review budget aspects.

FinCom Chair Michael Joachim stated that tonight's meeting was very helpful. Select Board Chair Jen Roberts thanked all in attendance, especially Town Manager Sheehan and Finance Director Garofalo, and noted there would be additional discussion in the near future.

Adjourn

Chair Roberts motioned to adjourn the Select Board Meeting. Board Member Kouchakdjian seconded the motion.

It was on motion 5-0; Russo-aye, Dretler-aye, Carty-aye, Kouchakdjian-aye, Roberts-aye

VOTED: To adjourn the Select Board Meeting

There being no further business, the Select Board Meeting was adjourned at 9:30 PM.