

**Town of Sudbury ~ Finance Committee
Minutes of Meeting
Tuesday – March 1, 2011**

Present: Joan Carlton, Tammie Dufault, Jamie Gossels, Bob Jacobson, Bill Kneeland, Jim Rao, Robert Stein and Chuck Woodard

Absent: Marty Ragonas

Lower Town Hall

Note: The Finance Committee was scheduled to meet at 7:50pm with the Board of Selectmen in the Lower Town Hall to discuss potential override scenarios. The following minutes regarding the joint meeting were recorded and have been approved by the Board of Selectmen.

At 7:53 p.m., Chairman Drobinski welcomed the Finance Committee to this joint meeting with the Board of Selectmen, and he recognized the Committee's hard work this year. Chairman James Rao presented an update from the Committee and distributed copies of three handouts related to "FY12 Budget Scenarios," a "Conditional Override Scenario for FY12," and an "LS Medical Insurance Analysis."

Mr. Rao provided an overview of the Committee's work in recent months, including formal hearings with all cost centers to review level-service and no-override budgets. He referenced the FY12 Budget Scenarios spreadsheet, stating the current revenue forecast was used as the basis for the no-override budgets. Assumptions were also incorporated in the scenarios for a 5% reduction in State Aid and for local receipts to remain flat year over year.

Mr. Rao highlighted that there is a \$1.2 million variance between Lincoln-Sudbury Regional High School's (L-SRHS) level-service and no-override budgets, and he provided several reasons for it. He stated the Committee deliberated several budget scenarios last night, noting each year is unique, and each cost center is unique. The Committee has presented a proposed \$1 million override, with \$370,000 designated for Sudbury Public School, \$80,000 for the Town to primarily fund a facilities manager position, \$50,000 for the Town capital needs, possibly for equipment purchases following the difficult winter, and \$589,013 designated for L-SRHS.

Mr. Rao further summarized a conditional override scenario for FY12 proposed by Committee member Bob Jacobson. This proposal would support the use of the L-SRHS Excess and Deficiency Fund to temporarily cover the shortfall. In addition, the proposal includes a strong recommendation for the L-SRHS teachers and School Committee to restructure their benefit program to move all employees from more generous health coverage plans to rate saver programs, which could provide the opportunity to save approximately \$400,000.

Mr. Jacobson noted that the proposal conditions the reduction of the cost for healthcare for the L-SRHS employees in exchange for a disproportionate allocation of \$500,000 from the Town. He provided some comparison information for primary care, hospital and pharmacy co-pays for the current health plan and rate saver plans. Mr. Jacobson further noted that, although employee co-pays might increase, they are still less than what would be experienced in the private sector. He also stated that the current health care reform law defines any health care plan with a premium of \$18,000 or more a year as a luxury plan and will result in a taxable fringe benefit cost to employees in the future. Mr. Jacobson emphasized that his proposal involves compromise by all parties for the best outcome. To support an override ballot question, Mr. Jacobson stated he would want the School Committee and teachers to sign an agreement reflecting

their willingness to restructure the benefit program. He further opined that, with a no-override budget, the students lose the most.

Selectman Haarde asked if the Finance Committee fully supports the conditional override proposal. Mr. Jacobson stated the Committee has not taken a vote yet on the proposal. Selectman Haarde commended Mr. Jacobson on this creative approach, stating he believes it gives guidance to the stakeholders on what needs to be accomplished. He further stated that he would rather see the healthcare benefits restructured than to have teachers laid off. Selectman Haarde stated there may be other areas for savings besides healthcare costs, noting that some L-SRHS personnel are eligible for a total salary increase of over 10%, which he does not believe is appropriate in this economy. He hopes a more collaborative approach can be taken to realize savings. Selectman Haarde believes that in order to establish a sustainable system, the split of healthcare costs should move towards a 50/50 cost-sharing model. He believes this is necessary for teacher union personnel to fully understand the consequences which result from expensive healthcare costs.

Mr. Jacobson noted that employees might also reap approximately \$172,000 in savings from restructuring the health benefits which could be used to offset higher co-pays.

Selectman Haarde opined that the higher the percentage of healthcare premium cost the employee pays the more they realize they too can save money by having a lower premium cost. He referenced a few L-SRHS employees who have healthcare plans with yearly premiums of approximately \$50,000 and questioned if there is a solution to converting them to more economical plans.

Vice-Chairman O'Brien noted that L-SRHS did accomplish the 4.5% annual growth goal over a three year period which was suggested by the Finance Committee in 2008. He also stated that the L-SRHS Business Manager has stated that only rate saver plans could be offered. Vice-Chairman O'Brien indicated that the incentive program would need to be eliminated under this new approach. Mr. Jacobson stated that, under a new agreement, the previous incentive would be null and void as all would be moved to rate saver plans, with the overall incentive of saving jobs and minimizing layoffs.

Chairman Drobinski informed Finance Committee member Robert Stein that, according to the Open Meeting Law, the sign he displayed tonight would need to be submitted as part of the meeting record, if he continued to display it. Mr. Stein put down the sign.

Vice-Chairman O'Brien asked if Town Counsel should be consulted regarding whether it is possible to condition an override. Finance Committee member Chuck Woodard stated there is no intended Committee override condition. Mr. Woodard explained the Committee would report and vote its position at Town Meeting. Mr. Jacobson stated the Committee would provide no report in the Town Warrant and would only present a non-override scenario. He further emphasized that the override question would not be conditioned. Mr. Jacobson clarified that, personally, he would want to see a signed agreement from the teachers and its union reflecting something similar to the recommended restructuring of its healthcare benefit program before he could recommend support for an override. Vice-Chairman O'Brien asked what Mr. Jacobson's position would be if negotiations did not yield the anticipated results prior to Town Meeting. Mr. Jacobson stated he would need to assess what had been achieved and possibly pro-rate his override support accordingly.

Vice-Chairman O'Brien questioned how a new agreement reconciles that current contracts were negotiated in good faith. Mr. Woodard stated that the three-year guidance for 4.5% was issued by the Finance Committee in 2008, prior to the national economic downturn. Mr. Woodard emphasized that budget assessments and planning cannot be done in isolation from what is happening in the world.

Mr. Jacobson concurred, noting that, although L-SRHS may have met the 4.5% standard, it did not do so by making structural changes to effect its long-term rate of growth. He stated this issue needs to now be addressed.

Vice-Chairman O'Brien commended the Committee for its thorough review of several budget scenarios. He believes the conditional proposal presented tonight allows for a long-term solution to be implemented which will maintain the staff and culture of the High School.

Chairman Drobinski stated he believes the Board supports the public deciding the override issue. He stated that tonight's proposal recognizes that everyone should share in the pain of increased costs. Chairman Drobinski expressed his concern that the Town not be short-sighted in its financial recommendations, so as to ensure that Sudbury's standard of educational excellence, which so many have worked so long to achieve, is not undermined in the long-run.

Mr. Jacobson stated that fairness was upper most in his mind when developing the conditional scenario so as to encourage a "we are all in this together" mentality.

L-SRHS School Committee Chair Mark Collins expressed appreciation for the Selectmen and Finance Committee grappling with these important issues. He stated he is comfortable pursuing the healthcare program recommendations with the teachers' association. However, Mr. Collins questioned if there could be legal complexities to a conditional labor agreement. He believes L-SRHS teachers and staff have worked above and beyond the call of duty to address fiscal issues. Mr. Collins emphasized he would hesitate to draft or support a plan which he believes could jeopardize the education of the students.

Mr. Collins asked for clarification regarding the proposed use of the Excess and Deficiency (E&D) Fund. Mr. Jacobson reiterated it is intended as a temporary fix.

L-SRHS Acting Superintendent Scott Carpenter acknowledged Mr. Jacobson's attempt to present a proposal which attempts to reach "middle ground." However, he emphasized that he believes no more than \$111,000 can be accessed from the E&D Fund without creating a future funding shortfall problem for FY14. In addition, Mr. Carpenter encouraged not pushing off a decision to June and risking that personnel pursue jobs elsewhere due to a lack of job commitment from Sudbury.

Chairman Drobinski noted a 35-day notice is required before a Special Election can be held. Vice-Chairman O'Brien noted that the negotiating parties could decide these issues as soon as they would like. Mr. Jacobson concurred, stating the timing for an override question being put on a ballot for the public can be determined by those negotiating the terms.

Sudbury Public School (SPS) Committee Chair Susan Iuliano stated the work of the Finance Committee in trying to find a workable solution is appreciated. However, she emphasized that the proposed \$370,000 override allocation for SPS is critically important for meeting the needs of its students. She urged all parties to collaboratively seek solutions, noting that the timeframes established affect all cost centers.

Chairman Drobinski stated that the Board appears to generally support an override, but the timing needs to be further delineated. Selectman Haarde clarified the Board has not yet voted its position on an override ballot question. Chairman Drobinski clarified that he believes the Board supports continuation of this discussion and process to present the option to the public.

Selectman Haarde expressed his desire for all parties to focus on long-term solutions and not just this

year's override options. He noted unions often step forward to voluntarily restructure their contracts in order to save jobs. Selectman Haarde stated he does not want Sudbury children to suffer as a result of decisions made. He urged the teachers' union to "hear the call" for reform.

Mr. Rao stated the Finance Committee would be voting later tonight its position on warrant articles. Town Manager Valente stated that positions on articles should be determined by March 11, 2011 to facilitate the Warrant publication schedule. She explained that given the current calendar, nothing would appear in the Warrant from the Board regarding an override option.

Vice-Chairman O'Brien suggested the Finance Committee summarize its thoughts on a budget override in the Warrant and also in a Letter to the Editor in the local newspaper. Mr. Rao stated the Committee could do so, and that he believes the debate to put before the public is that a good budget requires some sacrifice from all parties. Town Manager Valente noted that the Finance Committee would need to vote on the non-override budget and other options could possibly be explained in the Committee Chairman's accompanying letter. Chairman Drobinski stated specific amounts for each cost center need to be designated for the Special Election ballot question.

At 8:57 p.m., Chairman Drobinski concluded the joint meeting with members of the Finance Committee. He announced Town Manager Valente plans to attend another brief meeting tonight and will return later in the evening.

Note: The being no further business, the Board of Selectmen adjourned the joint meeting with the Finance Committee at 8:57pm.

Flynn Building

The Finance Committee reconvened at 9:08pm in the Flynn Building.

Reserve Fund Transfer #11-06

Reserve Fund Transfer #11-06 is for the amount of \$38,000 and is being requested by Town Counsel.

Maureen Valente, Town Manager, informed the committee that the Reserve Fund has been used in the past to cover the Snow & Ice Deficit and unanticipated legal expenses, because of the difficulty trying to budget for these items.

The committee was informed that there is one potential union arbitration case that could still come forward. There are currently four cases with the Land Court. Three involve the Zoning Board of Appeals and one involves the Planning Board.

Robert Stein questioned the annual salary of \$85,000 that Paul Kenny receives for working one day. Maureen Valente informed him that Paul is required to be in the office one-day a week (Fridays), but is available 24-hours seven days a week. She stated that he bills the town \$85 per hour for litigation.

Tammie Dufault questioned how Paul Kenny is paid. Maureen Valente stated that he is partly as an employee, and part by retainer. Jim Rao reminded the committee that the salary amounts and the way town counsel is paid is irrelevant to the transfer request. The conversation needs to stay on the topic of the transfer.

Tammie Dufault questioned how this request compares to the one from last year, as we might need to look into restructuring his contract. Maureen Valente believes the request is less than last years.

VOTED: Motion to recommend the approval of Reserve Fund Transfer #11-06. Motion made by Bob Jacobson, and seconded by Bill Kneeland. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Approval of Meeting Minutes

December 20, 2010: The committee was informed that Chuck Woodard has concerns in regards to the suggested edits that Tammie Dufault is proposing. His concern is that the comments being made are not factually correct, and is making it sound like the committee has been deceptive with the allocation of state funds in the past.

Tammie Dufault responded that she is comfortable with having her suggested edits removed. She wanted to capture part of the discussion that was not included in the original minutes. She stated opinions can be made whether or not they are factually correct. It is based on interpretation. She believes that taking out her edits does not add or take anything from the minutes.

Since Tammie Dufault was willing, Jim Rao proposed striking the suggested comments Tammie proposed.

VOTED: Motion to approve the minutes of the December 20, 2010 meeting without the suggested edits being made that were recommended by Tammie Dufault. Motion made by Jaime Gossels, and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

February 3, 2011: The committee was informed that Jim Rao and Chuck Woodard had previously emailed some suggested edits.

VOTED: Motion to approve the minutes of the February 3, 2011 meeting. Motion made by Jaime Gossels, and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

February 7, 2011: The committee was informed that Chuck Woodard had previously emailed some suggested changes. Bill Kneeland stated that a couple of corrections needs to be made to figures on page one. The FTE count needs to be changed from 15.5 to 14.5, and the number of students needs to be changed from 274 to 754.

VOTED: Motion to approve the minutes of the February 7, 2011 meeting. Motion made by Chuck Woodard, and seconded by Jaime Gossels. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

February 17, 2011: The committee was informed that Jim Rao, Chuck Woodard, and Joan Carlton had previously emailed some suggested changes.

VOTED: Motion to approve the minutes of the February 17, 2011 meeting. Motion made by Jaime Gossels, and seconded by Joan Carlton. On vote, motion carries 8 in support, 0 opposed, and 1 absent (Ragones).

Other Business:

Robert Stein questioned Jim Rao if he was keeping track of when the committee might discuss some of the topics that have been determined to be discussed at another time. He would like to know when the committee might discuss the legal costs to the town, as he has more questions. Jim Rao stated that he is trying to keep track of all of the items, but if he forgets to add it to an agenda in the future to just remind him. He reminded the committee that we need to be respectful of the people who are presenting items to the committee. The people are coming to present on specific topics and might not be prepared to answer questions relating to other matters. They need to keep the topic of the discussion on what is being presented to the committee. Chuck Woodard stated this might be something that can be handled through the liaisons. Jim Rao agreed.

Override Discussion:

Jim Rao provided the committee members with a spreadsheet, "Consolidated Budget FY12 Override Level Assumptions", which was prepared by Andrea Terkelsen, Finance Director. The purpose of the spreadsheet was to provide an idea of the % increase to the tax bills based on various override amounts.

A no override budget that all allows growth would have a \$254 impact on an average tax assessment, which results in a 2.37% increase to the tax bill for FY12. A one-million dollar override would result in an additional \$159 impact to the average FY12 tax bill.

Robert Stein stated that they need to clear and open about the potential impacts to the tax bills. The total impact should be clearly listed in the warrant.

The committee discussed and reviewed some of the information that was presented on the documentation that was provided at the joint meeting with the Board of Selectmen. The committee discussed some of the health plans offered and co-pays that the high school and town employees pay.

Robert Stein has concerns assuming SPS outsources the food service program. If the program is outsourced they would have a savings of \$125,000 that he believes should be reduced from their \$370,000 allocation. Bob Jacobson responded that he understands the point Robert Stein is making, but would rather let the school keep the \$125,000 as an incentive to continue to keep trying to find more savings.

Susan Iuliano, SPS school committee, was questioned if the school would have a definite answer by town meeting whether or not the food service program has been outsource. Susan Iuliano responded that the committee is hoping to have a definite answer in time for the Annual Town Meeting.

Joan Carlton questioned the potential override amounts since she missed Monday's meeting. The allocation would be \$370,000 for SPS, \$185,000 for LSRHs, and \$130,000 for the town. Jamie Gossels stated that the committee did not make any final decisions, but was reviewing this option. Bob Jacobson stated the potential override amount was based on certain conditions being met.

Jim Rao stated we need to be very clear on how this information is presented. It will be a challenge to communicate this potential scenario in a simple way to the residents. This is just one potential way to bridge the budget gap.

Bob Jacobson stated he has not put a lot of thought about what will happen if the parties do not agree to make the concessions. Chuck Woodard thought it might help to put something in writing and circulate it to the parties involved, so that they understand the FinCom's position.

Tammie Dufault recommended that the FinCom review the cost centers' achieved savings yearly. The savings should be presented at the budget hearings.

The committee discussed the potential material to include in the warrant regarding an override. Tammie Dufault believes information needs to be included. Her concern is residents might be there is no override being presented and not attend the Annual Town Meeting. Bob Jacobson stated that they need to present the different override scenarios and need to clearly explain what the options and conditions are. Bob Jacobson suggested putting an article in the Town Crier explaining the potential override scenario.

Tammie Dufault questioned what the negative would be to put comments in the warrant regarding an override, but not including the FinCom's position.

Bill Kneeland stated he has issues with the conditional aspect of the override. The committee should not feel the political pressure to drive the override and what is listed in the warrant. The students are the ones that will suffer if one of the parties is unwilling to negotiate.

The committee discussed what happens if they are not willing to use the Excess & Deficiency Fund. Bob Jacobson stated he is comfortable with the SPS and the town getting money. He still has a problem with LSRHS being let off the hook, considering the contract negotiations.

Tammie Dufault stated the message is going to be interpreted that LS is being penalized, but it seems the committee is in a consensus that LSRHS did not cut their costs as well as the other cost centers.

Tammie Dufault questioned if the committee can vote on whether or not an override should be listed in the warrant. Chuck Woodard stated he would rather see an article in the newspaper explaining the FinCom's position. Tammie Dufault responded that they might lose some integrity with the public because they are pushing conditions on LSRHS.

The committee discussed potential numbers to include in the warrant and the FinCom narrative.

Chuck Woodard stated that LSRHS has a significant budget gap, and he is only willing to cover a portion of it. Jim Rao stated that they can include a list of what is worrying the FinCom, and can include what their thought process has been in the warrant. Bob Jacobson thinks a narrative regarding a potential override needs to be included, but prefers to not include any numbers. Bill Kneeland thinks the override figures need to be included in the warrant since it is sent to all residents. Tammie Dufault believes we should be allocating funds to the Stabilization Fund.

There being no further business, the committee adjourned at 10:33pm.