

**Town of Sudbury ~ Finance Committee
Minutes of Meeting
Monday – September 19, 2011
Flynn Building – 7:30pm**

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

Opening Comments

The meeting was opened at 7:32pm.

Item 1: Transfers and Other Business

Formal Vote on New Member: Jim Rao stated that Doug Kohen has spoken with the Town Moderator, and the Moderator supports the appointment. Jim Rao stated that the committee needs to take a final vote on the appointment. Doug Kohen was made aware that he may participate at the meetings, but not vote on any items until the proper paperwork is filed with the Town Clerk's Office.

VOTE: Motion to support the appointment of Douglas Kohen to the Finance Committee to fill the position held by Marta Ragonese, to serve until the final adjournment of the 2014 Annual Town Meeting. On vote, motion carries 6 in support, 0 opposed, and 1 abstained (Stein).

Other Business: Jim Rao announced the resignation of Robin Porcella, Recording Secretary, from the committee. He introduced Deb Stanton who will be the new recording secretary.

Approval of Meeting Minutes: The committee was asked to vote on the minutes from the June 20th and July 11th meetings. Chuck Woodard had submitted his suggested edits previously via email.

June 20, 2011

VOTED: Motion to approve the minutes of the June 20, 2011 meeting. Motion made by Jamie Gossels and seconded by Joan Carlton. On vote, motion carries 7 in support, and 0 opposed.

July 11, 2011

VOTED: Motion to approve the minutes of the July 11, 2011 meeting. Motion made by Bob Jacobson and seconded by Joan Carlton. On vote, motion carries 7 in support, and 0 opposed.

Item 2: FY13 Budget Planning

Jim Rao stated that since all of the contracts are up for renewal in FY13, the committee should start having discussions on budget strategies. To help with the discussion, he provided the committee members with a hand-out (Planning Assumptions: Revenue Forecast). The revenue forecast will be a topic on the Board of Selectmen's agenda next week. We need to try to come to an agreement on the assumptions to be used. He reminded everyone that the hand-out is for discussion purposes only.

Jim Rao reminded the committee that the town's tax revenues are made up of three components: residential property tax, local receipts, and state aid. 80% of the operating budget is used to cover the cost

of salary compensations and benefits. Local receipts have decreased significantly from the past years, but seem to be stabilizing now.

Chuck Woodard stated that even without an override we are looking at 3.5 to 4% growth in the budget. Bob Jacobson stated that we could use the funds from the reduction in our debt service to support more services without increasing the overall real estate tax, but this would be substituting continuing expenditures for finite ones. This would still require an override, and he is not in favor of doing this. Robert Stein stated that with no overrides being passed, it still means there will be a tax increase for the residents. The town employees are getting raises whereas a lot of the residents are not receiving pay increases.

Doug Kohen questioned the potential budget percentage increases being discussed. He stated it seems 2.5% is the maximum limit being looked at. Robert Stein responded that the residents have had flat paychecks for years, we have record foreclosures, high unemployment, and school enrollment figures are dropping. We should be looking at reducing the taxes for the residents. The cost centers need to be aware that we cannot support a 5% increase.

Jim Rao reminded the committee that they need to set some guidance, and that contracts have been historically settled on three year increments. Bob Jacobson stated we should set the guidance at 2.5%, but is not sure that the revenue projections will support this. Chuck Woodard agreed that the committee needs to come up with some guidance for the cost centers, and we should start at 2.5%. Hopefully we will not have to cut too much from that point.

Jim Rao reminded the committee that the Budget Working Group no longer exists. Everyone will need to understand the assumptions. This will be realized through a series of meetings. He will reach out to the various committee chairmen. All the FinCom can do is put forth the best forecast projections.

Chuck Woodard questioned if the committee will only be asking for one budget from each cost center. Jim Rao responded in the positive, even though historically the committee has asked for three budgets. Bob Jacobson stated that this puts the burden on the committee/town members that are involved with the contract negotiations. Chuck Woodard stated that the 2.5% should be asked for each of the cost centers.

Joan Carlton questioned at point the committee looks at the enrollment figures. It seems LSRHS has been remaining the same, while the SPS enrollment has been declining. Bob Jacobson stated that the official enrollment figures should be released in October as of the official October 1st date. We will need to look at where the actual changes are taking place. He does not know the answer, but knows that it costs differently to educate the different grade levels. Joan Carlton agreed, but believes if the trend continues it needs to be looked into further.

Item 3: OPEB

Jim Rao had requested that Chuck Woodard provide an update regarding the OPEB (other post-employment benefits) liabilities for the town. He explained that OPEB is a calculation of our retirees' health care liability, and he likened it to a personal mortgage where an individual pays on the principal amount plus interest. He stated that the town does use a consultant to help calculate the future liabilities.

Chuck Woodard informed the committee that as of June 30, 2009, the liability for the town and SPS is \$36.4 million and \$29.4 million for LSRHS. The combined total of these liabilities is 20% higher than our current debt.

Joan Carlton questioned if it is known how the calculation to determine the liabilities works. Chuck Woodard stated that there is a whole set of assumptions that are looked at; such as the demographics of the employee population, the cost of health plans selected, employee turnover rates, and mortality. He stated that there are three components to an employee's salary for each year that they work: the salary, current benefits, and future benefits. Like the State and almost all other municipalities in Massachusetts, Sudbury did not fully reflect the cost of those future benefits in the years they were earned (did not include them in the annual operating budgets), which is why the State and almost all other municipalities in Massachusetts have large OPEB liabilities today. OPEB has been the financial equivalent of a reverse mortgage, which increases each year to the extent that the amount owed is not paid.

Chuck Woodard reminded the committee that the corporate sector started accounting for these liabilities over ten years ago. Jim Rao reiterated that the private sector records the liabilities on their balance sheets, whereas municipalities only a footnote on their financial statements.

Chuck Woodard informed the committee that if we wanted to pay for the current costs, a 5 to 6% increase in the budget would be needed. The town's & SPS cost is \$3.5 million, and LSRHS is \$2.2 million.

Chuck Woodard informed the committee that he, Bob Jacobson, and Bill Kneeland had proposed some questions to the consultants, such as what the liability would look like if we eliminated retiree health care before the age of 60 or if we imposed the GIC (Group Insurance Commission) on all employees. The consultants would not run the figures as some of the requested assumptions went against what the state law dictates. Chuck Woodard informed the committee that he, Bob Jacobson, Bill Kneeland, Maryanne Bilodeau, and Judy Belliveau would be meeting next Tuesday, in order to find a better way to pose the questions to the consultant.

Jim Rao stated that except for the Town of Wellesley, no other community is currently funding this liability. Bill Kneeland reminded everyone that the Town of Sudbury is no better or worse off than any other community.

Item 4: Public Comments

There were no comments made from the public.

Item 5: Adjournment & Final Business

Jim Rao discussed the follow-up letter to the Superintendent of the Minuteman School District, that the committee members were provided via email. The letter deals with concerns regarding the expansion project. He just wanted the FinCom to be aware that they might need to visit this topic during the budget season.

Jim Rao formally announced Tammie Dufault's resignation from the FinCom, and thanked her for her service on the committee. He stated that he hopes to hold interviews at the next meeting to fill the vacancy.

Jim Rao asked for a volunteer to serve on the Rte. 20 sewerage committee, as Robert Stein will not be able to. Joan Carlton stated some interest in the position, but requested more information. Chuck Woodard stated he cannot serve on the committee due to the conflict of interest. Jim Rao stated he would get more details of the Rte. 20 meeting schedule. He reminded everyone that he will need to appoint a member to the Rte. 20 committee if no one volunteers.

Robert Stein stated that based on the previous meeting minutes he thought Andrea Terkelsen would be at this meeting for an update on the CPA investments. Chuck Woodard stated that he and Bill Kneeland would be meeting with Maureen Valente and Andrea Terkelsen next Tuesday to discuss the CPA funds. He and Bill will then report back to the FinCom.

Robert Stein questioned when voting on candidates to fill vacancies within the committee, if it is possible to not have to state how each member has ranked the candidates since the votes are listed in the minutes. Robin Porcella, Recording Secretary, informed the committee that per the open meeting laws that the committee cannot vote with secret ballots.

Jim Rao reminded the committee that the next meeting is scheduled for October 17th.

There being no further business, the committee adjourned at 8:45pm.