

**Town of Sudbury
Finance Committee
Minutes of Meeting
Monday, December 17, 2012
7:30 p.m.**

The Town of Sudbury's Finance Committee Meeting, held in Lower Town Hall, was called to order at 7:34 p.m. by Chairman Jim Rao. Present for this meeting were Joan Carlton, Jamie Gossels, Bill Kneeland, Doug Kohen, Mark Minassian, Robert Stein and Chuck Woodard. Bob Jacobson was absent.

Item 1: Approval of Meeting Minutes

Members were asked to refer to minutes on the meeting on November 19, 2012 that were previously circulated. Jamie asked a clarifying question about a revision Mark had submitted by email. Chuck pointed out a spelling mistake on the second paragraph under Item #2. With no further discussion, comments or question, the Chair asked for a motion to approve the minutes with Chuck's edits. Motion was so moved by Mark Minassian and seconded by Bob Stein. No further discussion. VOTE: On vote, the motion was approved (7 in support and 1 abstention, Jim Rao).

Jim suggested that a discussion of the proposed transfer from the Town be deferred until later in the meeting.

Item 2: Town Department Liaison Report and Transfer

The meeting commenced with a report from the Town Department liaisons. Chuck Woodard introduced Maureen Valente, Town Manager. Maureen referred to answers provided in response to questions from the Finance Committee. Since cuts were made in the 2009 budget, things have been relatively stable over the past several years. Maureen also referenced the Budget and Financing Plan which was previously circulated and is also available on the town's website.

Due to the town moving to the GIC significant savings were realized as compared to prior years. Moving forward, Maureen cautioned that there are many factors that could implement potential savings including what plans employees pick as well as potential rate increases from the GIC. Also, while only one contract has been settled and voted by the Board of Selectmen (the police officers contract), she anticipates that the remaining labor contracts should be resolved shortly.

As of FY13, all civilian dispatch wage and salary expenditure line items from police and fire are reflected in the budget for the new Public Safety Communications Center. Overall, the number of actual FTE's is the same as the figures that were published in the Warrant. The half time recreation director shared with Wayland is an example of how the town has worked with neighboring communities to regionalize certain services and share costs.

Doug Kohen asked a question regarding mitigation that was provided to employees as part of the move to the GIC. Maureen explained that the mitigation was provided to employees only as part of the first year move to the GIC. There may be instances where additional mitigation is provided in the second year but this is all part of the collective bargaining process.

Bob Stein stated that when SPS announced their recent contract settlement, one of the reasons mentioned for the salary increases to teachers was the fact that SPS teachers were amongst the lowest paid in their peer group. Given that Maureen mentioned that she mirrored the SPS contract with the police, does that imply that the police are amongst the lowest in their peer group? Maureen stated that while the police are lower relative to some other communities, they are not amongst the lowest. Rather, what she was referring to when she made her statement was that the town mirrored the principles of what SPS was trying to accomplish with their latest contract. Namely, that as a result of moving to the GIC, many employees actually saw their out-of-pocket costs go up for healthcare. As a result, they were trying to keep employees whole on a relative compensation basis with the contract that was agreed to with the police.

Jim then asked Maureen to present information regarding a proposed transfer from the Town. The proposed transfer of \$15,772 is requested from the Reserve Fund to cover increased Veterans Benefits. After a brief discussion and several clarifying questions, a motion to approve was made by Chuck Woodard and seconded by Doug Kohen. No further discussion. VOTE: Unanimous (8-0) in favor of motion.

Maureen then referred to a proposed transfer of \$209,783 from the Salary Contingency Reserve. These funds will be used to increase each department's salary line item pursuant to settlement of labor contracts with the town's bargaining groups. While only one contract has been settled and voted by the Board of Selectmen (the police officers contract), the others are in process and Maureen believes the amounts being requested will cover those additional departments. After a brief discussion and several clarifying questions, a motion to approve was made by Chuck Woodard and seconded by Joan Carlton. No further discussion. VOTE: Unanimous (8-0) in favor of motion.

Item 3: Sudbury Public Schools Liaison Report and Transfer

Jim then invited Dr. Ann Wilson, Superintendent of Sudbury Public Schools ("SPS"), and Mary Will, Business Director of SPS, to discuss a proposed transfer of \$100,000 from the Health Benefit Reserve Fund. The transfer will be used to offset the unanticipated expense of the additional SpEd Assistants and Tutors required to meet the needs of new students and changes to existing IEPs. The transfer will also offset the unanticipated expense of additional Kindergarten personnel needed to meet the needs of increased Kindergarten enrollment. After a brief discussion and several clarifying questions, a motion to approve was made by Joan Carlton and seconded by Chuck Woodard. No further discussion. VOTE: Unanimous (8-0) in favor of motion.

Joan presented the SPS liaison report to the committee on behalf of Jamie and Mark. There are no major changes to the FY13 budget. There was an influx of Kindergarten students (around 20 in total) as compared to what was originally assumed but that has been accommodated within the budget. Bob Stein asked if this increase was due to move-ins or was due to existing residents that changed their minds and decided to send their children to Kindergarten at SPS? Dr. Wilson mentioned that the majority of this increase was due to move-ins.

At the middle school, a change was made as part of the FY13 budget to allow for four teams of four teachers each at the sixth grade level. This is a change from the previous year when there were three teams of four and one team of two for sixth grade. There were also program improvements made to the seventh grade language programs to provide the same amount of time for language as afforded in the eighth grade.

The FY13 budget was also impacted by an increase need for Special Education assistants and tutors as previously addressed. Fortunately, the district was able to accommodate that within the FY13 budget. That said, they continue to be concerned about their ability to fund the school system's technology plan, maintain current technology/equipment and continue to respond to increasing opportunities to use technology to enhance student learning. Grant revenue, in total, is relatively flat vs. FY12.

Item 4: Lincoln Sudbury Liaison Report

Doug Kohen provided a brief overview and introduced Mike Connelly, the new Finance Director at L/S. Doug noted that the high school is still in the process of negotiating a new labor contract with the teachers association and as a result, this is still a relative unknown for the FY13 budget. One item that is encouraging is that the increase in SpEd costs that had been experienced in prior fiscal years appears to have abated somewhat, partially due to some of the investments that the high school made to encourage students to stay in-district vs. moving to more costly out-of-district programs.

Doug introduced Scott Carpenter, Superintendent at L/S. Scott referred to a memorandum that was previously provided to the committee. Scott mentioned that there are currently no major adjustments or changes that have adversely impacted the FY13 budget. The overall staffing levels and scope of services have remained relatively the same as budgeted with a few minor changes which are mostly shifts amongst departments/programs to address student needs.

The district reorganized what was formerly the Central and Annex programs to develop what is now known as the ACE program. This is an alternative program with a mix of students with and without IEPs. The ACE Program aims to provide students with a safe and nurturing student centered environment so they are better able to acquire the necessary academic, social, and emotional skill sets that will help them to successfully access the mainstream environment and to be able to seamlessly transition beyond the ACE Program. Students in the ACE Program benefit from a small student to staff ratio

and one-to-one mentoring, access to clinical supports and counseling groups, academic support in a small group setting with organizational and study skills instruction, and small English and History classes. This program has a current enrollment of 38 students.

This new program shifted .50 FTE from the student services professional salary account to the special education professional salary account. The new program ACE Director will also carry a special education teaching load. The district in part to provide additional program oversight to this program also partially restored a .50 FTE House Master which was eliminated in FY10. The former Central Program Director had functioned as a .50 House Master, with his retirement that functional piece of his position shifted to a .50 House Master to provide the necessary assistance to the Ace Program.

In addition, the district increased a .50 FTE Special Education teacher to a 1.0 FTE to provide additional assistance to the new ACE program and to address student's needs. The additional .50 FTE special education teacher will have little financial impact on the FY13 operating budget, as the district did not fill a .50 Program Assistant position at the start of this school year, and there has also been several long term leave of absences, resulting in savings to the district's personnel budget.

The district also hired an additional .60 FTE school psychologist which is being predominantly funded by the IDEA federal entitlement grant. The district had the funding for the position because we did not fill a .50 FTE special education program assistant which had historically been funded by this grant. There was also additional funding available in this grant from a 12 week maternity leave that began at the start of the school year, resulting in a minimal cost impact of approximately \$9,000 on the FY 13 budget by adding a .60 FTE school psychologist. As a result of a 100% increase in out of district case load in recent years, the .60 School Psychologists was hired to assist with out of district coordination, as well as perform other school psychologist duties.

In terms of new cost savings/revenue enhancement programs or initiatives being contemplated for the FY14 budget, one area that the school committee is exploring is a solar panel project. The estimated savings in year 1 are approximately \$95,000 with an estimated savings of more than \$3 million over 20 year. This project is in the preliminary stages and there are many details that still need to be worked out but it has the potential to lead to significant annual savings. The district is still negotiating the details of the contract; it is still unknown if this project will move forward or when the exact timing of the construction would take place.

The district is researching reallocating resources in FY14 that would create additional academic support programs with the intent of providing the education support needed to prevent students from being placed in more costly out of district programs. Lastly, the district's Building & Grounds Department continues to do its part in controlling operational costs through aggressive preventative maintenance efforts.

A year ago, the district negotiated a Memorandum of Agreement regarding health coverage with the Teachers' Association that included plan design changes to its health

coverage plans which would be consistent with those in the most highly subscribed plans offered by the Commonwealth's Group Insurance Commission. The Committee as part of this agreement also offered a one-time incentive for employees to switch to a less expensive Fallon Plan. To date there has been no employees that have taken advantage of this one incentive this fiscal year.

The district also continued this year to offer an opt out incentive for employees currently covered in an individual or family plan to opt out and choose to enroll in health insurance elsewhere. There are currently 7 employees receiving this incentive this fiscal year and the district is paying an annual cost of \$19,500 to administer this incentive. If these 7 employees were to continue on similar plans in FY13 the district share of their health insurance costs would have been \$83,437.20, thus saving the district \$63,937.20.

The district had estimated total gross savings of \$279,600 which it is realizing in FY 13, and will continue to realize savings as part of this agreement in FY 14. The two year forecasted total cost avoidance calculated last year by the district as a result of these changes was \$437,081. FY 13 projections and FY 14 budget forecasts supports these cost avoidance amounts presented last year. The district has also agreed to establish a mitigation fund in the amount of \$100,859 to be used solely to fund the HRA and cover all administrative costs over a three year period (FY 13-FY15).

Bob Stein asked what the savings would have been had L/S moved to the GIC as Sudbury did a year ago. Mike mentioned that the estimate provided last year by a consultant of approximately \$130K to \$160K of additional savings has not changed or been updated. Scott also mentioned that it is difficult to predict exactly what that amount would be as the plans offered in the GIC are different than currently offered so it is difficult to predict which plans employees would choose, something that impacts the potential savings. Bob asked a follow up question as to whether we are going to take advantage of these additional savings and move to the GIC for FY14. Scott stated that that is up to the school committee and to date, that has not been a topic that has been taken up in discussions with the teachers association.

Doug mentioned that Scott and Mike are working on a long term capital plan for the high school that they plan to share at a later date. Scott stated that technology has changed quite a bit since the new high school was opened but the technology infrastructure has remained the same and no longer adequately supports the technology needs at the high school. The initial estimate to address the technology infrastructure needs at the high school is approximately \$500,000.

Jim thanked all members who pulled all their information together to present before FinCom.

Item 5: Minuteman Regional High School Taskforce Discussion

Jim invited Dave Manjarrez, the Sudbury representative on the Minuteman Regional School Committee, to address the committee. Jim referred to the information that Dave

shared with the committee. He asked Dave what feedback he'd like from the committee as there was nothing per se for the committee to vote on. Dave asked that he was just looking for feedback from the committee on some of the observations he has made. Dave referred to a preliminary report provided by a taskforce at Minutemen School Committee to address the true cost of out-of-district students at Minuteman. The genesis of the taskforce was to assess the impact on member towns of out-of-district students given questions that have been asked over the past several years.

Based on Dave's analysis, it appears that Minuteman is losing money given such a high number of out-of-district students. Currently, approximately 47 percent of the students at Minuteman are out-of-district, an extremely large percentage and not what was originally intended. Bill Kneeland asked Dave whether the Minuteman School Committee had vetted Dave's analysis or provided any feedback. Dave stated that his inquiries have been ignored.

Item 6: Follow up on Strategic Planning Discussions

Jim asked the committee to provide feedback and general impressions on the two meetings they had with the Board of Selectmen regarding long term strategic planning. He also suggested that given the free cash position of the town, the FinCom should begin to think about long term uses for this free cash.

Jim stated that while he missed the second meeting due to business travel, his general impression was that the more that we talk about these long term needs in a public meeting the better. The more we can articulate alternatives and alternative funding mechanisms the better so that taxpayers can begin to digest. As a next step, Maureen's staff will perform some benchmarking as to how other towns fund their longer term capital needs (i.e. capital vs. debt exclusions) and report back. Now that the significant debt taken on to build the high school is winding down, there is capacity again to use debt to fund capital purchases on an ongoing basis. Previously, the high school project absorbed most of the town's bonding capacity but that is no longer the case. Mark mentioned that for the general taxpayer, there is still confusion as to how a debt or capital exclusions differs from an operating override. That they do not always appreciate nor understand that unlike and override, debt or capital exclusions are not permanent increases to the tax levy.

As it pertains to free cash, while Jim believes there are several worthy areas for these funds, the one area that he feels strongly that free cash should absolutely not be used is for the general operating budget. Chuck agreed. Jim believes that part of what got out town into some of the challenges we had was that we did use free cash to help fund gaps in the operating budget and when those funds evaporated, significant reductions were needed to the operating budget when the economy went into recession.

Jim believes the stabilization fund is a good choice for moving this free cash. The stabilization fund requires a vote of two thirds at Town Meeting to remove and use funds which is a higher threshold than the normal budget process. The stabilization fund is the

town's rainy day fund used to help offset unanticipated funding issues similar to the recession of 2008-2009. Unlike the OPEB trust, once funds have been appropriated into it they can't be moved from this fund for any other purpose unlike a Stabilization Fund.

Jamie asked if we could just keep funds in free cash. Maureen stated that while it could be kept in free cash, the reality is that in prior years it was very difficult to make the necessary final budget cuts 6 or 7 years ago and hence free cash was used to offset the operating shortfall. Maureen stated that it's important to continue to build the discipline and one way to do that is to move free cash to a stabilization fund for instance. Andrea stated that the rating agencies are already starting to focus more on the amount that towns have in reserve funds, stabilization funds, etc.

Item 7: OPEB

Jim asked Chuck to review the draft OPEB article that is proposed to be sent to the Sudbury Town Crier and Sudbury Patch. The purpose of this article is to help educate residents on OPEB. There was a general discussion and several clarifying questions. Overall, the committee was very supportive of submitting an OPEB article and Jim asked the members of the committee to get any final edits or comments back to Chuck by the end of the week.

Item 8: Public Comments

There were no public comments.

There being no further business, the committee adjourned at 11:25 p.m.