

**Town of Sudbury
FY13 Budget Hearings Schedule
Finance Committee Deliberations
Minutes of Meeting
Monday, March 19, 2012
7:30 p.m.**

The Town of Sudbury's Finance Committee Deliberations Meeting, held in the Flynn Building, was called to order at 7:35 p.m. by Chairman James Rao. Present for the meeting were Jamie Gossels, Bill Kneeland, Doug Kohen, Mark Minassian, Jim Rao, Robert Stein and Chuck Woodard. Bob Jacobson arrived at 7:39 p.m. Joan Carlson was absent.

Item 2

Jim Rao opened the meeting by reviewing the agenda and suggested that the committee start their discussion with the second item on the agenda as there were guests from Lincoln/Sudbury Regional High School ("L/S") in attendance to present and update on several topics. Specifically, he wanted to cover the following topics: (1) an update on SPED Out-of-District Costs; (2) follow up on FY13 health insurance vs. the GIC; (3) overview of the Medical Claims Trust; and (4) the postage surplus situation. This update was provided by Scott Carpenter, Superintendent of L/S, and Nancy Marshall, Chair of the L/S School Committee.

SPED Out-of-District Costs

Scott informed the committee that out-of-district SPED tuitions have increased by \$50,000 since the budget hearings. Nancy informed the committee that the best case scenario for the FY13 L/S budget is a shortfall of approximately \$353,000 from the FY13 Level Service budget which results in a reduction of 5.4 FTEs. The worst case scenario could be a deficit of \$536,000 with a reduction of 8.25 FTEs. The different scenarios are dependent on the ultimate level of SPED Extraordinary Relief that L/S receives from the state. To date, 40 school districts have applied for FY13 as compared to 13 applicants for Extraordinary Relief in FY12.

Chuck Woodard asked the presenters what they were assuming for Extraordinary Relief in the two scenarios presented. He asked if the maximum for FY12 was \$438,000 as compared to a maximum of \$536,000 for FY13. The committee was informed that L/S would hear from the state in mid-April regarding the level of Extraordinary Relief funding the district would receive. The funds would then be disbursed in May.

FY13 Health Insurance

The next item for discussion pertained to health insurance costs for FY13. Specifically, as the Group Insurance Commission ("GIC") had recently published their rates for FY13, the question was asked as to what the estimated savings would have been if L/S had moved to GIC. Nancy informed the committee that, with the help of an outside consultant, different healthcare providers were evaluated during the process, but the decision was made by L/S to stay with Minuteman Nashoba. At the time the decision was made, GIC rates were still unknown and the L/S school committee felt it was better to lock in the known savings available with Minuteman

Nashoba. With the GIC rates now published, a comparative analysis shows that L/S could have achieved incremental savings of \$55,080 had the GIC been chosen. By staying with Minuteman Nashoba, L/S was able to eliminate incentives of \$125,000, something that would not have happened had the GIC been chosen. Moreover, the changes made to contribution rates for Fy13 also would not have been possible had the GIC been chosen for FY13. Nancy stated that it may make sense to go with GIC in the future and is something that can be re-evaluated for FY14 and beyond. Bob Jacobson said there would be more and more people going to GIC and that over the long-term, the GIC makes the most sense given the economies of scale that it maintains.

Bob Stein raised concerns with the oversight structure at Minuteman Nashoba and said that he did not believe that the Chairperson of the Board should be an individual involved with providing financial information as was the case with Judy Belliveau (former Business & Finance Manager for L/S). Nancy asked why Bob made this statement stating that Minuteman Nashoba is a cooperative owned by its regional municipalities, each of which provides a member of the Board of Directors. In addition, the Chair role is a rotating position. Bob Stein countered by saying that the perception in Sudbury was that this could be a conflict of interest and can lead to concerns by taxpayers in the town. Nancy stated that all the directors of Minuteman Nashoba were the business managers for their respective municipal districts. She stated that Judy's participation and input was necessary and appropriate during the process of evaluating health insurance options and that ultimately, it was the responsibility of the L/S School Committee to make a decision.

Medical Claims Trust

Nancy Marshall provided some background regarding the history of the Medical Claims Trust. L/S switched to Minuteman Nashoba in the mid-90s after having been with Blue Cross Blue Shield. At that time, funds were set aside and maintained to cover outstanding potential claims. As significant time has passed, the recommendation by the DOR is that the Trust be closed and the funds disbursed. The current balance in the Trust is approximately \$228K. As per guidance from counsel, 25% needs to be given back to employees and represents the historical amount contributed by employees. The remaining funds are available to L/S. Nancy stated the L/S School Committee is evaluating potential uses for these funds but that no decisions had yet been made.

Postage Surplus

Scott Carpenter began the discussion by providing an overview of the situation. Historically, the business office has used a postage meter system whereby the schools account was pre-funded each year with a set amount of dollars. However, over the last 5-6 years L/S has moved to more electronic distribution of information as opposed to the physical, hard copy distribution of information. As a result, this has led to a significant reduction in actual postage costs. However, there was a lack of oversight regarding the postage account as funds continued to be sent to the post office. During this fiscal year, a decision was made to move to a different postage system and as a result, it was discovered that approximately \$175,000 had been accumulated in this account. Fortunately, the district was able to get this money back from the post office account.

Jim asked what the process was to fund this postage account. Scott told the committee there was a line in the budget for postage that was fairly consistent from year to year. As the account was

held by the postage meter company on behalf of L/S, he did not believe the school's auditors ever checked the account. Jim mentioned that in the private sector, this account would be on a company's balance sheet as a prepaid expense and something that everyone, including auditors, would have visibility to. He asked if there were statements provided showing the funds had gone to the post office. Scott stated that the new Treasurer for L/S had discovered the funds and brought it to everyone's attention. Jim also suggested that a full audit review be conducted of the processes and procedures in the business office and recommended that an outside firm be hired to conduct this review.

Bob Jacobson stated that with a new Finance Director coming, we must all look at all the roles and responsibilities of the personnel in the business office. Mark Minassian stated that serious consideration should be given to changing auditors because an error such as this should have been discovered during the audit. Only because a new postage system was chosen were the funds discovered and that is unacceptable. Scott stated that the new system keeps track of funds and it can be seen on the display. Bob Stein asked if there was any penalty from the post office for returning the funds. The answer was no. Chuck asked if there was a management letter from the auditors and why the postage was not in the management letter. Mark also inquired why funding for the postage meter stopped in FY10. Nancy said that they wanted to spend the funds already in the meter. Mark then asked why no one noticed why the meter wasn't funded in FY11 and FY12. Scott indicated that he believed there were funds deposited into the meter in FY11 and Nancy said that the funding of the meter wasn't adequately monitored.

Bob Jacobson also informed the committee that a new accounting software system also needs to be chosen as the current system being used is antique. For instance, the current system lacks a basic general ledger. Jim asked if Sudbury (town and SPS) could share the system it uses with L/S. Nancy stated that L/S has evaluated in the past and that unfortunately, the incremental expense is fairly large.

Jim asked if there were any more questions, and there were not. He thanked members of L/S for attending.

Jim referenced the Agenda and the meeting schedule for the next few months. He told the committee the next meeting scheduled is Monday, April 23, 2012 at 7:30 p.m. in the Flynn Building with Town Meeting scheduled for Monday, May 7, 2012. He asked that the committee remain flexible with their schedules as we may need to add and/or change meeting dates as information becomes available. The committee discussed potential additional meeting dates and agreed to the following: Thursday, April 26, Monday, April 30 and Thursday, May 3, 2012.

An open discussion then ensued regarding the overall FY13 budget situation. Jim stated that while the Town and SPS budgets appear in good shape, the FY13 budget for L/S is still in flux given the unknown situation regarding Extraordinary Relief. Jim stated that it is clear that out-of-district costs are the issue at L/S, but that operating overrides are not the ideal mechanism to deal with these types of funding issues. Mechanisms that do not become part of the permanent tax levy, such as capital and debt exclusions, are more appropriate types of mechanisms. Unfortunately, they are not available to us for FY13. Bob Jacobson suggested that we need to

continue to research one-time types of exclusions similar to what Wellesley did with OPEB several years ago.

Bill Kneeland said it appears that SPS and the town will have significant savings from GIC. The town needs to think of how to save money from FY13 for future years, FY14 and beyond, if possible. While FY13 seems in good shape, the concerns of the Finance Committee should move to FY14 and beyond so that we don't have a disaster, specifically for L/S. What are the things we can do now? Doug Kohen suggested that the savings from the Town and SPS could be used to help cover the deficit at L/S. Jim and other committee members raised concerns at using the savings that were generated by the employees of one set of cost centers to help employees in a different cost center and the potential adverse consequences this would have on collective bargaining. Doug challenged that concern. Jim suggested that we revisit this topic at a future meeting and have a broader discussion.

Item 3

Jim asked if there were any public comments and there were none.

Item 1

VOTED: Motion was made by Bill to approve the minutes of the February 9, 2012 meeting and seconded by Jamie. On vote, motion was carried to approve the February 9, 2012 minutes and carried in support (7 in support and 0 opposed).

VOTED: Motion was made by Bob Jacobson to approve the minutes of the February 28, 2012 meeting and seconded by Chuck. On vote, motion was carried to approve the February 28, 2012 minutes and carried in support (7 in support and 0 opposed).

VOTED: Motion was made by Bill to approve the minutes of the February 29, 2012 meeting and seconded by Bob Stein. On vote, motion was carried to approve the February 29, 2012 minutes and carried in support (7 in support and 0 opposed).

Bob Stein suggested that the committee adopt a code of ethics and volunteered to create a draft for the committee to review. Jim asked Bob to also conduct an inventory of what is available now as there are several documents already on the town website.

Jamie Gossels read a written correspondence on this topic to the committee. Jim said there would be a discussion regarding the ethics topic at our next meeting.

Bill made a motion to adjourn, and Chuck seconded the motion. **There being no further business, the Committee adjourned at 9:36 p.m.**