

**Town of Sudbury ~ Finance Committee
Meeting Minutes
Thursday – February 27, 2014
Flynn Building – 7:30 PM**

The Town of Sudbury's Finance Committee (FinCom) Budget Hearing, held at the Flynn Building, and was called to order at 7:34 PM by Chairman Doug Kohen. FinCom members present for this meeting were: Doug Kohen, Susan Berry, William Kneeland, Robert Stein and Andrew Sullivan, Robert Jacobson, Tammie Dufault and Mark Minassian. Joan Carlton was absent.

Item 1: Finance Committee Budget Deliberations and Vote

Doug Kohen reminded the committee that we are continuing on and will likely do the bulk of the voting at our 3/17/14 meeting, especially on the budget, as we are waiting for more information from LS. Financial statements have been distributed for the committee member's review. The committee has questions on health care assumptions for LS and the town, therefore, we will continue our discussion on 'Free Cash'. Chairman Kohen turned the meeting over to MaryAnne Bilodeau to describe the way the health insurance budget was built.

MaryAnne Bilodeau began the deliberations with a recap of FY14. She stated that Town Administration always starts from scratch when creating a new health insurance budget. The town's 7 plans have 4 different percentages depending on when employees were hired and whether they are either PPO's or HMO's. Town Administrators get all their counts for the new year from the past December bill (the most recent bill that they have.) 5 town and 7 school employees are added to the forecast and keeps in consideration, the town's 50 opt-outs, between town employees and school employees. Before any town employee can opt-out, they must be on the plan for at least 2 years.

In 2012, employees that took health insurance dropped 12 - 13%. The opt-out payout amount is \$1500 for an individual to \$3000 for a family. There has been over \$400,000 in savings since the start of the program.

Tammie Dufault asked if Sudbury had benchmarked to other towns - yes. On a single plan, what is the employees cost? For an HMO it is 20% employee contribution -80% town contribution (if employee started prior to 7/1/09.) Are the incentives pensionable earnings - no. For the PPO's the town pays a higher fee.

Larry O'Brien, Sudbury Selectman, offered guidance to the committee about how contract negotiations happened 3 years ago. Andrea Terkelson supported Larry stating that those negotiation documents are memorialized on Sudbury's town's website, budget discussions and in past budget presentations.

Maureen Valente said that the move to the GIC was the right change for the town and the aggressive opt-out payment program has been a positive impact on Sudbury's health insurance costs.

Chairman Kohen asked, if an employee is on opt-out, can they stay on that forever - yes, as long as the Board of Selectmen continues the opt-out program within the town.

Chairman Kohen commends Sudbury for making great health insurance decisions. These decisions have made a meaningful impact on the budget. Maureen Valente remarked that the employees have taken the brunt of the costs. 49% of new employees are not taking health insurance. Robert Jacobson commented that they are also coming in at a higher contribution rate. Chairman Kohen asked if we could have seen these

trends - no. Sudbury is going to have \$488,000 left over and if you add 10-12%, you will come up with \$560,000. Robert Jacobson commented that the opt-outs are giving Sudbury the total dollars.

The new rates are due on 3/5/14 from the GIC. Sudbury has 757 active & retirees currently on their plan, but there are also 26 year old employees that could come on town's insurance because they can no longer be covered by their parents. Also, employees that leave are not necessarily being replaced by benefited employees.

Chairman Kohen asked if MaryAnne Bilodeau is estimating a 5% increase in health insurance - yes. Would she give the actual increase prior to the 3/17/14 meeting so that the committee can see the impact on the budget? Maureen Valente responded that she knows that she will have to modify the town's budget depending on what the increase is. She has her priority list if there is more money and her list if there is less money. Chairman Kohen would like to see the impact on the budget.

Robert Jacobson asked about funding, at some point, the OPEB Trust and paying the health insurance bills directly from there. Maureen Valente would like to have a committee look into this. He would like to see everything paid directly from OPEB and not partially from OPEB and the General Fund. Money for health insurance costs does get appropriated and moved immediately into the trust. Andrea Terkelsen reminded the committee that the actual investment in the OPEB Trust would have to be built up to be used as a health insurance stabilization fund.

Chairman Kohen recapped: in FY13 we moved to GIC, in FY14, we had 3 months' worth of data to determine the key things that are driving the new health care budget. There was a 12-13% drop in participation; 49% new employees not taking health insurance; 28% are paying higher rates; and 50 opt-outs. Chairman Kohen asked, what are the key things that have helped change your approach to this year's budget. MaryAnne Bilodeau responded: clearly the 12-13% drop in employee participation, 49% of new employees not participating and the opt-outs. She is budgeting exactly as it is in December. Big driver is the amount of employees that will be taking health care through the town.

New affordable health care will drive prices possibly 2-2.5% surcharge for health care for those that do not have health care.

Chairman Kohen re-opened the discussions regarding Free Cash by stating that now that we have more visibility into the health care costs, are we thinking about going back and asking for budget adjustments.

Bill Kneeland responded with the idea that every budget will have a free cash cushion in it. If we look at FY13, employee health care was 4.7M, in FY14, there was a rate increase, but in FY15 there was a 2% budget drop, just looking at the raw numbers now, it looks as though the cushion will be gone. With that said, we should not change the budget.

Bob Jacobson commented that Sudbury has lots of assets that need to be maintained and there are a number of capital improvements that need to be done. We can use Free Cash to do those projects without going to the taxpayers. Maureen Valente noted that we did not intentionally budget free cash, it happened because of good planning and rate changes and other factors.

Mark Minassian asked Andrea Terkelsen about the senior tax deferral plan. Andrea responded that the senior deferral program has approximately \$300,000 that will be put into long-term payables. The tax, title account has remained consistent, it offsets what we have to put away for the new deferrals. It is the local receipts account that is very elastic. Maureen Valente added that permits had been bumped up, for example, The

Coolidge was over \$100,000 in permits, but you cannot plan on those projects consistently. Andrea also mentioned that in the past, the general fund was getting approximately \$1M in interest income; that is a thing of the past. She also mentioned that non-recurring revenues are prohibited by law from being built into local receipts.

Chairman Kohen moved the meeting along by asking what are the potential next steps? The committee had had discussions about going back to the cost centers to give us a revised budget that is lower than what we had originally asked for. If we are going to do that we need to make that decision tonight.

Tammie Dufault had taken away that any changes done to budget line items would be done at a high level with Maureen's guidance.

Tammie Dufault would like the finance committee, when deliberating, to consider the actual audited financial statements. She had asked to look at the financials on February 11th, and there was a delay in getting that information to her, as it was delivered on February 26th. She will be looking at them and get back to Chairman Kohen with any questions she may have. Her reasoning primarily because in management reporting, numbers get moved around and she would like to understand the actual to budget numbers. She would like to put her analysis into the actuals. Chairman Kohen is still concerned about having to go back to the cost centers in 2 weeks time and ask for changes that that would be very irresponsible of us as a finance committee. Tammie states that Sudbury does not want to run a budget where there is a potential of a deficit, especially where snow storms and winter weather costs are running very high. Maureen Valente explained how the town accesses money for snow and ice deficit: there could be a special town meeting to access money from the stabilization fund, or Bob Jacobson suggested that free cash could be used to avoid a special Town Meeting.

Chairman Kohen guided the committee to do their analysis now, prior to the meeting in 2 weeks where they will be expected to vote.

The meeting moved on to a discussion regarding Minuteman Regional High School's new Regional Agreement. After a short conversation, the committee feels that this agreement is worse than the current agreement. Chairman Kohen made a motion to vote on article 27, amendments to the district agreements of Minuteman Regional High School. VOTE: 0-8, unanimous.

Tammie Dufault would support a letter being written to other district towns stating Sudbury's concern regarding the 20% increase in administrative costs, the fact that the administration bills the town monthly but feels no obligation to support the finance committee's requests for financial documentation.

There also was discussion about approving Minuteman's budget as a line item. Maureen Valente will go to town council to see if that is a viable solution. Chairman Kohen asked for a way to have this all work from a budget perspective and not put Sudbury's budget at risk if the Finance Committee votes this down.

Chairman Kohen moved ahead asking if there were any questions regarding the capital exclusion for the ambulance. Tammie Dufault asked for clarification to her notes regarding the ambulance. Her understanding was that the town used to use a revolving account and put receipts in to basically stock pile money for a future purchase of a medical vehicle. Maureen Valente explained that now that we have to pay those receipts, it is using up the funds in that account. There is still money in the account, but it is not generating enough of a surplus so that every 5 years we have \$200,000. Currently the town has to pay for the new vehicle. The money in that account will be used for operating expenses.

Chairman Kohen asked for questions regarding the fire truck; there were none at this time. The Finance

Committee will hold off on a vote at this time.

The Finance Committee will hold off on a vote on ESCO at this time.

The Finance Committee will hold off on a vote on the police station at this time.

The Finance Committee will hold off on a vote on SPS projects which include: Loring phone system, parking lot, Nixon Cafetorium and the 1:1 Technology program, at this time. Tammie Dufault has concerns about putting a large amount of money towards an asset in the town that may not be in use in 3-4 years.

Andrea Terkelsen warns against voting on capital exclusions when you don't have an exact number.

Tammie Dufault brought up sealcoating the parking lot to extend its life. The general consensus is that the parking lot is past its life expectancy and cannot be repaired by the town.

Chairman Kohen asked under the Finance Budget, there are a number of standard articles, can the committee get more information besides the dollar amount on the pool enterprise budget and the recreational field maintenance budget? Maureen said that they have that information in their book. Chairman Kohen asked if that includes petitions. Maureen answered yes, you have a copy of the article. The board is asking to have them come in on the 25th.

Chairman Kohen also asked about the utilization of CPA funds. Maureen answered that Town Council will rule that Town Meeting can't act on CPC things unless CPC has voted first. Tammie Dufault asked if the CPA has amended their 10% down to Sudbury housing trust? Bill Kneeland answered that the assumption is that we fall under housing.

Susan Berry asked if the articles are online. The numbers are, but there are no links currently.

Item 2: Public Comments

No public comments.

Adjourn

Adjourn: 9:06 PM

So moved by Bill Kneeland, 2nd Tammie Dufault, 8-0 Vote.