

**Town of Sudbury
Finance Committee
Minutes of Meeting
Monday, October 6, 2014**

The Town of Sudbury's Finance Committee (FinCom) Meeting was held at the Flynn Building and was called to order at 7:34 PM by Chairman Susan Berry. FinCom members present for this meeting were: Jeff Barker, Susan Berry, Joan Carlton, Adrian Davies, Fred Floru, Jose Garcia-Meitin, William Kneeland, Mark Minassian, and Andrew Sullivan.

Item 1: General Business

A. Approve Meeting Minutes

Bill Kneeland motioned to approve the May 5, 2014 Meeting Minutes. Adrian Davies seconded the motion. The motion passed unanimously.

Adrian Davies motioned to approve the June 16, 2014 Meeting Minutes. Jeff Barker seconded the motion. The motion passed unanimously.

Adrian Davies motioned to approve the July 14, 2014 Meeting Minutes. Fred Floru seconded the motion. The motion passed unanimously.

Bill Kneeland motioned to approve the September 4, 2014 Meeting Minutes. Adrian Davies seconded the motion. The motion passed unanimously.

Fred Floru motioned to approve the September 15, 2014 Meeting Minutes. Bill Kneeland seconded the motion. The motion passed unanimously.

B. Transfers and Other Business

Esmé Green, the Goodnow Library Director, and Maureen Valente presented a request to transfer \$10,080 from the reserve fund to the Goodnow Library. The transfer would allow the Goodnow to add one more part-time position to cover the second floor during evening hours. Barbara Pryor, an elected Goodnow Trustee was also present.

There are four nights per week where only one person covers the second floor. There was an event where one person hid on the second floor and stole seven iPads. Maureen also stated that she may be back to ask for an additional transfer of \$12,000. The library currently operates half the day on Saturdays and is closed on Sundays. These are typically summer hours which they need to extend into the fall given budget constraints. They would like to restore library hours now that school is in session. However, doing so would require an additional \$12,000.

Fred Floru asked how long the \$10,080 would last and how many people normally work in the library. He also asked why this extra person was not already in the budget. Maureen

Valente answered that it would allow for four more hours of part-time help four nights per week until the end of the fiscal year, that three people normally work in the library and that it did not occur to them that the extra person was needed until the iPads were stolen. At this point they realized that there is both a safety and security concern in being short-staffed on the second floor during the evening hours.

Adrian Davies asked if there is more demand for library services during the evening as opposed to Sundays. Esmé Green replied that the library averages 500 visitors a day with 150,000 annual visitors, that Sunday is the busiest day.

Jeff Barker asked what the additional \$12,000 amount was for and if it were in addition to the \$10,080. Esmé Green replied that the \$12,000 would restore some of the non-summer hours and that the \$10,080 is meant to cover just the cost of a part-time person for the 2nd floor of the library 4 nights a week. Maureen Valente added that the current budget line item for this expense is \$22,000 and that the requested \$10,080 along with an additional \$12,000 would fund extended hours in the fall and the addition of part-time help for the second floor.

Bill Kneeland motioned to approve the transfer of \$10,080 from the reserve fund balance to account 0166101-511401. Joan Carlton seconded the motion. The motion passed unanimously.

Item 2: Code of Conduct

Jeff Barker motioned to adopt the Finance Committee Rules and Operating Procedures. Fred Floru seconded the motion. The motion passed unanimously.

Item 3: Liaison Reports

A. Strategic Financial Operating Committee for OPEB

Bill Kneeland noted that the Strategic Financial Operating Committee for OPEB had three meetings in July 2014.

B. Minuteman Technical Vocational High School

Bill Kneeland presented on the Minuteman Technical Vocational High School. The school has 796 total students. There are 16 member towns in the district representing 440 of these students. Sudbury represents 22 of these students and pays roughly \$550,000 for its allocation of expense, or \$25,000 per student. The other 356 students are sent from non-member towns. Non-member towns pay \$18,000 tuition per student, a rate which is controlled by the state. The state prohibits allocating fixed costs within this tuition rate to non-member towns. The member town agreement is being revamped given the plan to construct a new school. The cost is estimated to be in the range of \$90 Million. The Sudbury Board of Selectmen has created a committee to evaluate Sudbury's alternatives for providing vocational education.

Fred Floru asked why the state is charging \$18,000 per non-member student. He also asked what happens if Sudbury were to send students to another vocational school.

Maureen Valente answered that it is possible that there is some political pressure applied on the Department of Education in an effort to keep non-member town tuition low. She also stated that students from Sudbury can go to another vocational school and that Sudbury would be required to pay the \$18,000 in tuition on their behalf. She also mentioned that Sudbury would need to pay transportation expense for that student. She closed by saying that the Minuteman Technical Vocational High School runs what is considered to be a high quality program when compared to other vocational schools in the area.

C. Capital Improvement Advisory Committee

Jose Garcia-Meitin presented that Tom Travers was selected to be the new chairperson of the CIAC. He also reported that the CIAC plans to complete its review of all capital requests by mid December, or December 17, and will make a decision on its recommendations on these requests by early to mid January 2015.

D. Route 20 Sewer Steering Committee

Andrew Sullivan presented on the Route 20 Sewer project. He said that Sudbury was negotiating with Marlborough in the interest of utilizing Marlborough's eastern wastewater treatment facility to meet Sudbury's Route 20 sewer needs. He said that this facility has an estimated 700,000 gallons per day of excess flow capacity which is not being utilized. Sudbury's needs would represent 7 to 8 percent of this facility's total capacity. In addition to paying for its flow based apportionment of the facility's operating expense Sudbury has offered to pay 7 to 8 percent of an estimated \$40 Million in capital improvements to the facility. However, the talks between Sudbury and Marlborough have not gone as well as the steering committee had hoped. Marlborough is engaged in a contested agreement with Northborough as it relates to its western wastewater treatment facility. Marlborough is also engaged in litigation with a septic disposal corporation which uses their facilities for the treatment of waste. These two contested agreements appear to have affected Marlborough's interest in entering into any new agreement. Andrew further explained that the steering committee has funding appropriated for the study of how Sudbury could pump the wastewater from Route 20 to the Marlborough facility. However, the committee is waiting to see how the discussions with Marlborough progress. He also noted that Raytheon's decision to vacate their Sudbury operations must now be factored into the discussion.

Adrian Davies asked if Sudbury needed to engage in this sewer project with Marlborough, if the matter was urgent. Andrew Sullivan responded that there is an alternate option which was explored, to build Sudbury's own facility with effluent to be released under the Curtis Middle School fields. He said this carried a \$15 Million dollar project cost as compared to the Marlborough option's estimated cost of \$10 Million. Fred Floru added that the Sudbury built facility would have 25% more capacity than the Marlborough option and that perhaps this added capacity was worth the additional project cost amount. Andrew Sullivan closed by commenting that Sudbury cannot grow its commercial tax base without some form of wastewater treatment solution for businesses located along Route 20.

E. LS Technology

Joan Carlton presented on the LSRHS Technology initiative. The roughly \$600,000 appropriated at F'15 Town Meeting has been used to upgrade the network infrastructure at LSRHS, providing wi-fi access to all areas of the campus including those not previously serviced. The LS auditorium was one of the areas which saw an improvement of service. These funds were also used to replace a few of the servers

which support this network. The next steps will be to replace the remainder of LSRHS servers as well as engage in some form of one-on-one technology, i.e. iPads, for each student. Other schools have found it advantageous to standardize the device that each student uses rather than try to accommodate a variety of different devices.

Item 4: Free Cash Report

Maureen Valente presented a Free Cash overview. Maureen said that Sudbury presently has a Certified Free Cash balance of \$3,322,365, with roughly an \$800,000 starting balance and \$2.5 Million in contributions to Free Cash over the past year. \$1.1 Million of the \$2.5 Million in contributions came from the Melone Gravel Pit fund. The Melone Gavel Pit fund had accumulated this amount over the course of several years. An additional \$1 Million of the amount was contributed from the expense side of the budget. Other sources were roughly \$100,000 from a FEMA reimbursement and \$100,000 from non-recurring tax roll-backs.

Item 5: Initial Budget Guideline Letter Discussion

Andrea Terkelsen distributed a handout which illustrated the mechanics of how Sudbury's Operating Budget is constructed. The worksheets presented determined that the town's F'16 Operating budgets could be increased by 3.56% and still be within the levy limit. The worksheet showed how Chapter 70 general aid from the state (Cherry Sheet) would be increasing by \$155,128 or 2.71% from FY15 budget. Also shown was how local tax receipts were estimated to grow by \$335,000 or 7.55%. Finally, LSRHS revenue was estimated to grow by 7.66%, due to Chapter 70 funding as well as Regional Transportation and Revolving Funds increases. Combined this would result in an estimated 3.56% growth in town revenues from FY15 to FY16. Andrea Terkelsen's budget summary further showed that the FY15 updated budget showed \$155,128 increase in state aid and \$339,000 increase in local receipts which will reduce the anticipated FY15 tax rate when it is set in November/December 2014. The net effect of the tax rate change will save Sudbury a total of \$494,128 in their FY15 property taxes.

Following Andrea's presentation, Susan Berry opened the discussion to determine the percent rate of growth that the Finance Committee should present in their F'16 Budget Letter to the Cost Centers. This is the percent rate of growth the town cost centers would need to utilize when putting together their F'16 operating budgets. Mark Minassian felt that using the 3.56% rate would be irresponsible. Joan Carlton agreed with this opinion. Andrew Sullivan added that perhaps the Finance Committee could ask for a range of different rates of growth, perhaps 1%, 1.5% and 2%, or a value which would be equitable across the town's cost centers.

Andrew Sullivan posed the question of how our capital budget compared to the capital budgets of other towns. Maureen Valente responded, first by stating that it depends on how you define capital budgets, that Sudbury's capital spending within the levy is .4% and that Sudbury addresses most of its capital spending through debt.

Fred Floru mentioned that most of the past budget letters have used the 2.5% growth rate. He also wanted to know what the needs of the cost centers were. Susan Berry added some other factors which weigh into this discussion, such as holes in capital spending and Other Post Employment Benefits (OPEB). Chuck Woodard, who was present at the meeting and was asked to contribute to the OPEB discussion, stated that there is a group looking into Sudbury's OPEB liability. He stated that previous actuarial studies estimated that Sudbury would need to contribute \$1.6 Million, or 2% of the town's operating budget just to stop the bleeding related to OPEB liability, that currently we are paying as we go. Jeff Barker thought that perhaps a 2% rate of increase for the cost centers would allow us to fund the reserve for OPEB liability. Mark Minassian reiterated that the 3.56% rate was aggressive.

At this point Susan Berry asked the committee if we had narrowed the range to between 1.75% and 2.6% to which there was general agreement. She offered that perhaps we could request three budgets, one utilizing a 1.75% growth rate, a 2.5% rate and a level service budget.

The discussion continued and expanded to consider the request of a level service budget. Maureen Valente stated that care should be taken on defining what a level service budget is. She offered that perhaps a level staffing budget would be more appropriate for some cost centers. This type of approach would assume no Cost of Living Adjustment but would allow for movement of personnel along their respective Steps and Lanes. Fred Floru wished to consider the increase in workload that requesting this variety of budgeting options would place on the cost centers.

Given the amount of time spent discussing the complexities of this topic it was decided that FinCom would postpone voting on this matter until its next meeting, scheduled for October 20, 2014.

Item 6: Free Cash Policy Update

Susan Berry provided the committee with an update on her efforts to collect Free Cash policy guidelines from several surrounding towns. She sent letters to the Finance Directors of several towns. However, only Westborough responded. She also reviewed the websites of several towns in an effort to obtain some information on Free Cash policies. Given the hour she limited her update to these points in order to make time for public comment.

Mark Minassian added that he had researched how other towns utilized free cash. He said that one town (name of town?) funded up to 9% of its operating budget with free cash.

Item 7: Public Comments

John Baranowsky, of 103 Belcher Drive, provided comments. He said he saw some problems with how the budgets of each cost center are evaluated. He sees the town departments as being under-funded given the fact that they are trying to catch up on capital items. The school budgets, which are heavily driven by salaries, may not need to grow as much as the town cost center budgets, which are not as heavily driven by salaries but rather by necessary equipment or other assets. He also suggested a tiered approach to the Cost of Living Adjustment discussion. He mentioned that, while the first part of the discussion on the growth rate to be used in the budget guideline letter was good, the remainder of the discussion was not as productive. Finally he requested, while deciding on which rate of increase to request of the cost center budgets, that Finance Committee members should disclose any relationship they may have to parties that work within those cost centers.

Item 8: Adjourn

Andrew Sullivan motioned to adjourn. Jeff Barker seconded the motion. The motion passed unanimously. The FinCom meeting adjourned at 10:12 pm.