

**Sudbury Finance Committee
Minutes
Joint Meeting with Board of Selectmen
March 26, 2019**

ATTENDANCE

Finance Committee Members Present: Chairman Bryan Semple, Jeff Barker, Susan Berry, Eric Poch, Jean Nam, Jeffrey Atwater, and Adrian Davies.

ABSENT: Lisa Gutch, Glenn Migliozi

CONVENE:

Chairman Semple motioned to open the Finance Committee joint meeting with the Board of Selectmen at 7:25 p.m., seconded by Mr. Atwater. **The motion passed unanimously.**

Selectman Haarde opened the meeting to discuss Town budget recommendations and Town meeting articles.

ITEM 1: Discuss Town Budget Recommendations

Chairman Semple said the focus of discussion involves Article 3 - the main budget motion, adding that FinCom recommends passage of Article 3 with a vote of 7 to 2. Ms. Berry stated that she was pleased with a three-year projection and that the two school committees are adding programs for students with special needs who might have had to go out of the district. She said that she was pleased to see an increase in capital funding within the levy. She maintained that there are parts of the budget that continue to increase by more than, especially benefits and salaries.

Mr. Barker agreed with Ms. Berry and stated that as a liaison to LS, he is pleased to see special needs students being able to stay in the district.

Ms. Nam also agreed with the sentiment of Ms. Berry and Mr. Barker, and that the Town did a great job by staying within guidance. She was pleased that the Police Department was able to increase their education budget. Her main concern was that we started at a certain guidance level, however, when revenues came in a little higher and savings were realized, guidance went up. She would have liked to see the Budget Strategies Task Force be enabled. Part of the savings was SPS insurance, however, SPS did not see the benefit as the savings went to other cost centers. She suggested that an open discussion between the cost centers would have been beneficial.

Mr. Poch voted in favor of the budget and felt there was budget improvement this year in terms of collaboration among the cost centers. He added that there was room to improve how the Town regards capital and related committee interaction in attempt to avoid further structural deficit and remain under the 2 1/2% mark. He recommended that FinCom be more engaged in this process and strongly encouraged more involvement with the Board of Selectmen.

Mr. Atwater agreed with Mr. Poch's statements and emphasized capital spending and how the Town approaches it. He provided detail on capital funding strategies.

Mr. Davies thanked town staff for all their hard work on the budget. He felt that the budget was mostly sound, but he did vote against the budget ("protest vote") due to the late-breaking assessment of the LS budget which was changed by the state when they had to come up with another \$300K. The reserve funding for the Town is only \$200,000, which will be consumed by the snow and ice budget. He'd like to see more funds set aside for the reserve budget. Salary increases and cost of living increases continue to squeeze the budget.

Chairman Semple also voted against the budget affirming that the positive aspects include the special needs program, great work from the Town Manager and the Finance Director in bringing the three cost centers together and managing the Town's COLA budget. His issues involve the

2 1/2% tax increase in every year going forward in addition to new growth. He did not agree with the 2 1/2% yearly tax increase and Town salary increases in relation to the inflation rate. He commented on increasing school benefits, including COLA and the huge disparity between the three cost centers. Chairman Semple was encouraged that the Board is planning for further discussion with Lincoln.

Selectman Dretler mentioned L-SRHS school board member Mr. Gargeya's offer to conduct a L-S Finance 101 session and asked Mr. Barker if a date for that session had been established. Mr. Barker replied that there are four possible dates being offered, but the date has not yet been finalized.

Chairman Haarde stated that due to the Education Reform Act of 1993, the BOS has no say in the school budgets. He added that he is in support of more meetings between BOS and FinCom going forward. He acknowledged that the capital topic must be addressed. Town Manager Rodrigues agreed that anything could be discussed.

Selectman Brown commented that the high school contracts are negotiated by the L-S school committee and BOS has no allowable input. Further, she pointed out the insurance savings for both SPS and the Town from lower GIC rates were necessary to partially pay for the late-breaking reapportionment increase in Sudbury's contribution to LS.

ITEM 2: Discuss Town Meeting Articles

Chairman Semple provided a summary of FinCom comments on capital items and stated that FinCom is in favor of putting the stabilization fund together for reserves and in favor of increasing the levy to fund the Town Manager's Capital budget. The differences of Committee opinion were seen with free cash being put into the stabilization fund while increasing the levy to fund the culvert and the dump truck. If there

had been more inclusive discussion, the Committee may have supported the articles.

Ms. Berry hopes that the Selectmen will come up with a cohesive plan for capital funding and they will consider the findings of the Capital Funding Committee. She emphasized that FinCom would like to see a capital funding policy in place before voting next year. Chairman Haarde responded that this aspect could be worked on and he would welcome FinCom recommendations to frame such a policy together. He suggested separating capital improvement in the operating budget and capital investment for more long-term major projects. He also suggested that FinCom help determine the amount of funding in each of those two categories and examine what other towns are doing.

Vice-Chairman Carty added that the capital budget would primarily include maintenance. Chairman Haarde agreed with the statement.

Selectman Simon stated that two weeks ago, the Board supported article 3 - FY20 Operating Budget, and he provided an e-mail which focused on whether or not there was a policy regarding funding capital or determining what capital guidelines are considered. He stated that Chairman Semple did not fully answer the question and Selectman Simon composed a memo itemizing several related concerns regarding the process which FinCom uses to determine how capital should be spent and how to fund the projects.

In regard to tax breaks related to the capital topic as mentioned by FinCom, Selectman Simon stated that tax matters are the business of the assessor's office to determine and Town policy is the consideration of the Board of Selectmen. The reason this matter has come to a crisis level is that there are 224 capital items projected for the next five fiscal years and the total of those is over \$15 million. Large projects such as Town Hall renovation, a new fire station, and a new Fairbank Community Center are not included in the 224 priority items. By taking into account the smaller capital items plus the larger capital items for the next five fiscal years, the total needed capital is approximately \$70 million.

Selectman Simon stated that it is not the right of FinCom or the BOS to suggest tax breaks, especially in consideration of this year, which has been a financially good year. The Town has been underfunding capital for 15 or 20 years and immediate capital needs of \$70 million must be considered due to safety issues, and capital needs can no longer be deferred. Preventative maintenance is an essential component of good government. The Town cannot avoid maintaining capital and probably has not increased taxes enough to maintain capital. The Town is doing okay with the operating budget, but the capital budget is lacking and running far behind.

Selectman Simon stated that he asked the Town Manager to have the Division of Local Services (DLS) review the capital needs of the Town and the funding of capital and was looking forward to this free assessment by DLS. He asked that the plan developed by the Strategic

Financial Committee for Capital Funding be reviewed and opine if that would be an appropriate path to take. In closing, he emphasized the importance of engaging with FinCom and DLS in order to address the capital issue and its funding. He applauded the Strategic Financial Planning Committee for Capital Funding (SFPCCF) chaired by Vice-Chairman Carty and its efforts with implementing capital funding aspects, though he had differences with the approach and amounts.

Vice-Chairman Carty commented that he disagreed with Selectman Simon's points that "FinCom's concern with taxation of residents as a factor in making capital article recommendations and giving tax breaks, and FinCom's use of language that threatens an increase in taxes as a means to discourage town meeting support for capital items when they report on capital items at town meeting." He endorsed FinCom's suggestions in these cited areas and found Selectman Simons comments to be neglecting the taxpayers' interests and stressed the difference between capital discretionary projects and capital maintenance projects. He asked Selectman Simon to further define his use of the term "capital crisis."

Selectman Simon responded that this aspect has worsened over time and is coming to a more severe point than the Town has seen before. For the past 15+ years, the Town has not been adequately funding capital. Chairman Haarde elaborated that the Town makes agreed upon yearly payments to schools and all that money is part of capital spending, including L-SRHS, the Police Station and other major projects. The Town is not underspending on capital based on capital spending benchmarks. Selectman Simon replied that there are facts to support the aspect that the Town is underfunding capital.

A related discussion took place.

Town Manager Rodrigues shared that the Town charter states that it is part of the Town Manager's role to create the capital plan as well as the capital budget. At every Town Meeting she hears residents commenting that the Town is not funding capital maintenance and routine items in the budget. She opined that it's the best practice to include maintenance capital items in the budget. She stressed that free cash is not a reliable funding source. She pledged to continue the inclusion of capital maintenance within the levy because it is the responsible thing to do.

Selectman Simon stated that residents expect to maintain the Town's capital, but do not like being presented at each Town Meeting with requests for additional funding for new or improved capital items (i.e., trucks, power vacs). He listed various Town buildings that need new roofs. He agreed with the statement made by Town Manager Rodrigues.

Ms. Nam maintained that her "no" vote does not necessarily mean that capital is not going to get funded. She added that the Town needs the culvert work done and the new dump truck by free cash and not a tax

increase. Chairman Semple agreed that the projects should be funded by free cash.

A discussion regarding free cash took place.

Mr. Poch stated that FinCom opines on budget regarding Proposition 2 1/2% and added that there are several funding pools to draw from. Selectman Simon stated that there should be two budgets, one for operating and one for capital budget. Chairman Haarde stated that it is evident there is an operating and capital budget, the question is how to fund both.

Selectman Brown added that FinCom would have to make final recommendations by March 31st.

Town Manager Rodrigues stated that if the free cash is used, there will be nothing remaining for the capital stabilization fund. Chairman Semple suggested funding the capital stabilization account at fall Town Meeting.

Ms. Berry stated that the Finance Committee agrees with the change from a Rolling Stock Stabilization Fund to a general Capital Stabilization Fund. However, the ask of the majority of FinCom is to use free cash for the two capital projects and amend articles 18 & 19 to reflect that choice of funding and wait on funding the Capital Stabilization Fund.

Chairman Haarde stated that stabilization funding determines the Town's AAA bond rating, and the Town should go forward and set policies for funding. Vice-Chairman Carty commented that the Capital Funding Committee researched what other towns do such as Ashland.

Selectman Brown mentioned the importance of presenting all financial needs to voters.

Ms. Nam endorsed the idea of more frequent FinCom/BOS joint meetings in order to come up with a better financial plan next year. Selectman Simon recommended that when DLS suggests a plan soon, the FinCom and BOS should meet to review this plan and go from there.

Town Manager Rodrigues stated that she would not change the budget regarding the two articles discussed this evening.

Chairman Semple thanked Selectmen Haarde and Simon for their many years of service on the Board and announced that there are several openings on the Finance Committee.

ITEM 3: Adjorn

Chairman Semple motioned to adjourn the Finance Committee joint meeting at 8:51 p.m., and Ms. Nam seconded the motion. **The motion passed unanimously.**