

**Call to Order**

Chairman Stumpf called the meeting to order at 7:01 p.m. in the Selectmen's Conference Room. In attendance were S. Jon Stumpf, Linn Anderson, Greg Serrao, Margaret (Peggy) Kruse, Eugenie (Janie) Moffitt, John Barry and Joanne Marden. Absent were Bojay Taylor and Bonne Zahorik. Also absent was Donna Walsh Finance Director. Guests in attendance were Robert Landry, Thomas Hartwell and the Town Manager. The meeting was live cablecast.

**Minutes of Meeting****February 10, 2016**

Upon motion duly made by Ms. Marden and seconded by Mr. Serrao, it was voted to approve above minutes as amended. Motion passed 5-0-1 with Mr. Barry abstaining.

**February 24, 2016**

Upon motion duly made by Ms. Marden and seconded by Mr. Barry, it was voted to approve above minutes. Motion passed 5-0-1 with Mr. Serrao abstaining.

**Weekly Chairs Meeting**

Mr. Stumpf gave the following update on the chairs' meeting:

- On the road to a balanced budget, there is currently a gap of \$1.8M between the Town Manager and School recommended budgets.
- Option of reducing healthcare line item by \$500K and increasing school budget by same.
- Option of school lowering its request by \$562K and instead of funds coming from taxation, funds would come from circuit breaker special ed reserve fund of \$562K; and that would result in that account being spent down to \$0.

Mr. Stumpf expressed concern that the special ed reserve fund is not being used for its intended purpose, i.e. covering the unexpected out-of-district costs for a student coming into a district resulting in a high tuition in the range of \$400K. The fund, instead, is being used for regular out-of-district costs. He anticipated that if the reserve fund was spent down to \$0, a supplemental appropriation warrant article would be submitted in FY18 to replenish the fund with a net increase of \$800K.

Mr. Serrao reported that costs have been escalating to \$1M for 2 high cost students (\$400K, \$100K); five students pending to be placed; and 5 unilateral placements in negotiation.

Mr. Stumpf noted that for the past three years the Finance Committee has questioned whether there was enough money appropriated in Article 4. The number of out-of-district tuitions increased from 78 in FY15 to 90 in first quarter in FY16.

Mr. Serrao clarified that the out-of-district budget in FY14 was \$5.6M; budget for FY15 was \$5.6M but came in at \$5.9M. FY16 was budgeted at \$5.8M and through second quarter is at \$5.8M. However, he noted that if a student comes into the district before April, it is the town's responsibility to cover special ed costs. This is an unpredictable expense.

It was pointed out that the percentage spent on special ed is significantly higher than state average and has been consistently. Discussion ensued on the reasons therefor including: a) in the past (but not last three years) student population in sped was lower than other districts, but we have been spending a higher percentage of the school budget than the state average; b) last year at 6% of budget, sped costs amounted to \$4.2M; c) scrutiny for supplemental budget at Town Meeting would be healthy, looking at just that number.

It is not high cost tuitions driving the increase; in FY2017 there is one student at \$400K and another at \$100K. Mr. Stumpf questioned whether the special ed system was working effectively.

### **OPEB - Mr. Landry's Presentation**

Mr. Stumpf welcomed Mr. Landry to address the committee on the subject of OPEB. See copy of his report attached as well as the Segal Actuarial Report.

He outlined the following points of his report:

- a) What is the real size of our OPEB liability;
- b) The recent Segal actuarial report changed the discount rate from 5.75% to a more realistic blended rate of 4.25% resulting in change in liability from \$145M to \$184M;
- c) How do we slow the rate of growth of this liability;
- d) OPEB reform involves premium contributions, plan design and eligibility;
- e) The Board of Selectmen adopted the 2011 municipal healthcare reform under Section 22 whereby the town was able to unilaterally (without collective bargaining) to change the plan design of the health plan with higher co-pays and deductibles;
- f) Creation of PEC, the negotiating unit for employees;
- g) Match most popular plan design of GIC called Tufts Navigator Plan as benchmark;
- h) Town is within bounds to do unilaterally as long as in negotiations with PEC, 25% of first year's savings (approx.. \$1M) only is returned to employees;
- i) In this way town has new baseline for health plan moving forward as the new default;
- j) Plan design changes do not affect medicare retirees, but non-medicare employees have the same healthcare plan as active employees;
- k) How much do we put into the OPEB trust fund;
- l) Risk that if municipalities fund the liability, it takes pressure off impetus for legislative reform;
- m) Raise premium contribution to 50% level allowed by law resulting in \$1.3M savings;
- n) Retirement board needs to change eligibility requirements.

Mr. Stumpf questioned what impact the change in the way the liability is funded has from the point of view of rating agencies. The Town Manager responded that he and Ms. Walsh had a conversation with the town's financial advisor, and it is anticipated that the impact will be favorable in that the funding is consistent and not volatile. What remains to be discussed is the impact of the increased liability and change in practice of funding, but he does not expect a negative impact from the rating agencies. Discussion ensued on the trend nation-wide to lower discount rates and the importance of establishing long-term funding of the liability.

### **OPEB – Mr. Hartwell's Presentation**

Mr. Stumpf welcomed Mr. Hartwell to address the committee on the subject of OPEB. See copy of presentation attached.

He said he would address the committee as a taxpayer and not as a member of the OPEB Committee. He outlined the following points:

- a) He agrees that the prior method in calculating the town's annual OPEB contribution needed change;
- b) Disagrees with the percentage the Town Manager is recommending to fund the OPEB Trust fund. Should be at least 1% (not .5) to be consistent with prior year's contribution;
- c) Reducing the town's contribution will significantly increase the town's OPEB unfunded liability;
- d) Reform is needed from employees and retirees but cutting contribution by half undercuts town's position on need for reform;
- e) Because not fully funded, a blended rate must be used;
- f) GASB75 will require blended rate as well;
- g) By funding less this year, more of the town's assets will be needed to fund in the future;
- h) Projected \$652M obligation in 30 years;
- i) All reforms recommended will not materially reduce the \$652M;
- j) Only way is start paying and funding this liability more aggressively;
- k) Wellesley will have OPEB paid off by 2037 and pension by 2030;
- l) Andover's pension liability will not be paid off by 2032.

The Town Manager clarified his position on healthcare. An 8% increase was budgeted, and each percentage point is \$170K. Factors to consider, however, is the 25% share with PEC which would be 2%, leaving 6%; depending on what the balance is now that we are self-insured below one month worth of claims, we may have to increase additionally. A 4% increase would be \$680K.

Discussion ensued on the financial impact of funding to a higher level vs. not funding to a higher level as contained in Mr. Hartwell's presentation. Ms. Marden suggested that whenever a new employee is hired, benefits for that year are funded on a pay-as-you-go basis. In this way we are addressing the underlying reason for the unfunded liability in the first place. She also noted that cutting benefits for retirees on small pensions would be difficult for any elected official to do because it "hurts people."

### **Schedule**

Mr. Stumpf then reviewed the upcoming meetings  
 School Committee – March 17<sup>th</sup>  
 Board of Selectmen – March 21  
 Board of Selectmen – March 23 – Pfizer's Presentation re TIF  
 Fincomm – March 23 School Presentation  
 Fincomm - March 28  
 Joint - March 31 – OPEB Presentation and Discussion

Discussion ensued on coordinating the schedule vis-à-vis the finalization of warrant articles and votes for timing in development of the Fincomm Report

### **Warrant Articles**

#### **Article P-17 Elderly/Disabled Transportation Program**

Upon motion duly made by Ms. Anderson and seconded by Mr. Barry, it was unanimously voted to recommend approval of Article P-17 in the amount of \$12,000. Motion passed 8-0.

Article P-18 Support for Civic Events

Upon motion duly made by Mr. Barry and seconded by Mr. Serrao, it was unanimously voted to recommend approval of Article P-18 in the amount of \$5,000. Motion passed 8-0.

Article P-19 Spring Grove Cemetery Maintenance

It was agreed to put this article on hold pending information from Ms. Walsh as to last year's actual amount.

Article P-22 Free Cash to Bond Premium Stabilization Fund

Upon motion duly made by Mr. Serrao and seconded by Ms. Anderson, it was unanimously voted to recommend approval of Article P-22 in the amount of \$268,000. Motion passed 8-0.

Article P-23 Stabilization Fund Bond Premium

Upon motion duly made by Ms. Anderson and seconded by Ms. Zahorik, it was unanimously voted to recommend approval of Article P-23 in the amount of \$100,000. Motion passed 8-0.

Article P-25 Public Works Vehicles

Upon motion duly made by Ms. Anderson and seconded by Mr. Serrao, it was unanimously voted to recommend approval of Article P-25 in the amount of \$350,000. Motion passed 8-0.

Article P-26 Fire Apparatus Engine

Upon motion duly made by Mr. Barry and seconded by Ms. Anderson, it was unanimously voted to recommend approval of Article P-26 in the amount of \$575,000. Motion passed 8-0.

Article P-27 Town Building and Facility Maintenance

Upon motion duly made by Ms. Anderson and seconded by Mr. Barry, it was unanimously voted to recommend approval of Article P-27 in the amount of \$700,000. Motion passed 8-0.

Article P-28 Collins Center Façade Replacement

Upon motion duly made by Ms. Anderson and seconded by Mr. Serrao, it was unanimously voted to recommend approval of Article P-28 in the amount of \$2,000,000. Motion passed 8-0.

Article P-29 Lovely Field Turf Replacement

Upon motion duly made by Ms. Anderson and seconded by Ms. Zahorik, it was unanimously voted to recommend approval of Article P-29 in the amount of \$500,000. Motion passed 8-0.

Article P-30 School Building Maintenance and Renovation

Upon motion duly made by Ms. Anderson and seconded by Mr. Serrao, it was unanimously voted to recommend approval of Article P-30 in the amount of \$500,000. Motion passed 8-0.

Article P-32 Elementary School Projectors

Upon motion duly made by Ms. Anderson and seconded by Ms. Zahorik, it was unanimously voted to recommend approval of Article P-32 in the amount of \$200,000. Motion passed 8-0.

Article P-33 Town and School Energy Initiatives

Upon motion duly made by Ms. Anderson and seconded by Mr. Barry, it was unanimously voted to recommend approval of Article P-33 in the amount of \$400,000. Motion passed 8-0.

Article P-34 Deyermont Park Ball Field Lighting

Upon motion duly made by Ms. Anderson and seconded by Ms. Marden, it was voted to recommend approval of Article P-34 in the amount of \$200,000. Motion passed 7-1 with Mr. Barry opposing.

**Article P-36 Annual Computer Workstation and Laptop Replacement Program**

Upon motion duly made by Ms. Anderson and seconded by Ms. Marden, it was unanimously voted to recommend approval of Article P-36 in the amount of \$393,789. Motion passed 8-0.

**Finance Report Schedule**

The schedule for submission of topics was discussed and reviewed.

**Health Insurance Update**

Ms. Walsh reported that an update on large claims for February was not yet available.

**Liaison Update**

*OPEB* – Mr. Barry reported that the final report was due on March 31<sup>st</sup> and would be presented to the Board of Selectmen. A draft would be available by March 18<sup>th</sup> to be presented to the public. He advised that the minutes posted on the website may be reviewed for specific data and content, and that actuarial data is being developed.

*School* - Ms. Moffitt reported that Mr. Berman and Mr. Blumstein were due to appear before the Committee on Wednesday, March 23<sup>rd</sup>. Mr. Serrao explained that there are five drivers to the budget: a) contractual obligations - \$2.5M; b) OOD costs are rising – two students at \$400K and \$100K; c) five expected to be placed; and d) five in unilateral in negotiation. Elementary enrollment in 2009-2010 was 22.6; 10-11 22.1; 11-12 22.9; 12-13 22.8; 13-14 21.9; 14-15 21.3 (noting that the last two years there was not a decrease in teachers); and 15-16. 23.0. He added that the trend is in the right direction with student scores high. He questioned whether adding five more teachers and changing the high school scheduling would have an added positive impact. Discussion ensued on the additional costs of change, advice of accreditation committee to change the scheduling and the reality of adding new projects in light of the present requested increased funding of the school budget. Mr. Stumpf advised the committee to view the School Committee meeting tomorrow night.

Mr. Serrao added that he is satisfied with the level of cooperation he has received to his requests. In light of the fact that Munis does not support Position Control adequately, additional software is being considered.

*Municipal Services* – Ms. Kruse reported that custodians total 48.5 – 9 that service the town and 39.5 that service the schools. They are being supervised by Mr. Ataide and Mr. Szymanski and they have suggested the hiring of a head custodian (a position in place many years ago) to supervise custodial employees as well as three outsourced custodians (an additional one being requested to cover cemetery and youth center.) The total hours would be 36.25 and would be split between the town and DPW.

Interns from the green teams will be used for Bald Hill Leaf Dump shifts. The recycling line item will see a 20% increase from last year and trash a 2% increase. The streetlights line item has been split into three line items for better tracking: 1) electricity for streetlights will drop by \$100K; 2) there's a \$100K lease to purchase for the streetlights, which will end in five years; and 3) maintenance is \$50K and will decrease once all streetlights have been converted to LEDs. The telephone line item was cut to \$29K, but they are already over \$29K as of February of this year; a Natural gas line item has been decreased by 17% due to the drop in oil prices.

Ms. Zahorik raised the need to reflect true total compensation costs for all new hires.

*CD&P* – Ms. Anderson stated that one hire is being requested. The position will be filled by consolidating two part-time positions into one FTE.

Ms. Marden reported that the TIF was going forward.

**Next Meeting**

Wednesday, March 21<sup>st</sup>.

**Adjournment**

Upon motion duly made by Mr. Serrao and seconded by Ms. Marden, it was unanimously voted to adjourn.

Meeting adjourned at 9:46 p.m.

Respectfully submitted,

Christine Martin Barraford  
Recording Secretary