

## Call to Order

### Roll Call

Chair Moffitt called the meeting to order at 7:00p.m and initiated roll call. Through video conferencing mode, present were Chairperson Eugenie Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Kevin O’Handley-Y, Linn Anderson-Y, John Barry-Y and Paul Russo-Y. Absent was Spiro Christopoulos. Also present were Town Manager, Assistant Town Manager Patrick Lawlor, and Finance Director Donna Walsh. The meeting was videotaped and live cablecast.

### Integrated Financing Plan – Town Manager

The Town Manager updated the committee on the changes made to the Integrated Financing Plan (see attached PowerPoint presentation for detailed information) with the following highlights:

- a) As a result of the updated actuarial valuation, consideration is being given to adjusting the discount rate from 6.25% to 5.75%.
- b) The lower the discount rate, the higher the liability; the higher the liability, the more the town is required to pay.
- c) The split model of 75/25 means we would be required to borrow more in the 75% and adjust the funding schedule for the remaining 25%.
- d) Increases unfunded liability by approximately \$21M to \$194M.
- e) Increases required debt service by \$15.75M.
- f) Increases average annual taxpayer impact by approximately \$90.
- g) Under the 75/25% split, the debt service is \$145.5M with remaining \$48.5M being funded through the schedule.
- h) Normal cost would also increase by \$1M.
- i) Average discount rate of 6K national public pension plans is 7.14%.
- j) Consequently the town would be in the top 1% for the lowest discount rate.

Discussion ensued on the rationale for decreasing the discount rate. The Retirement Board is seeking to decrease the discount rate to mitigate risk. If the article does not pass, the Board will not decrease the discount rate as it would not be able to be afforded within the levy. Although funding the additional cost within the pension obligation bond increases the impact on the average taxpayer, mitigating the overall risk is the tradeoff. Other communities are also decreasing their discount rate but most have started from a starting point of 8.0%. The actual discount rate is selected by the Retirement Board for the purpose of establishing the annual town contribution, but the town can select a different discount rate for purposes of listing the liability on its financials. The town is required not to fund less, but can fund more.

The Town Manager then illustrated the plan in actual numbers at 6.25% and 5.75% (see attached presentation for detailed information):

#### Liabilities

- a) funding schedule
- b) pension obligation debt service
- c) total liability

## Revenues

- a) general fund revenue
- b) exempt revenue

## Reserves

- a) balance in reserves

## Tax Impact

- a) annual tax impact

The Town Manager summarized that the changes to the plan reflect community input with regard to a) mitigating risk: and b) consideration of 75/25 split borrowing. Discussion ensued on the impact of higher cost of funding over time at 25% and the benefit of taking advantage of current historically low interest rates. The Town Manager noted that the town can seek an authorization to borrow the entire amount (\$191M or \$173M) and then determine what amount to actually borrow (\$145M.) In that situation the Investment Advisory Committee would have tools at its disposal on how to proceed. The higher amount borrowed, the more options are available. If \$145.5M is borrowed, that represents 75% of the unfunded liability of \$194M of 5.75%; if \$129.5M is borrowed that represents 75% of \$173M of 6.25%.

Discussion ensued on what the consequences are if the article does not pass at Town Meeting. The Town Manager noted that while the Select Board may decide to bring the article back to a future town meeting but the interest rates may not be favorable at that time to go forward. In order to preserve services a general override may be needed.

It was the opinion of the committee that something indeed needs to be done to address the unfunded liability, and doing nothing is not an option. The committee has been articulating this issue as a “looming crisis” for many years at town meeting. Mr. Russo opined to authorize a higher borrowing to take advantage of the current low interest rates, and this gives more flexibility in terms of the decision of the Retirement Board’s decision on the discount rate. Discussion ensued on lowering the discount rate is in itself a factor in mitigating risk. It was the consensus of the committee that lowering the discount rate and borrowing more money will reflect that mitigation and is in the best interests of the town.

The Town Manager is meeting with the Retirement Board tomorrow and will share the committee’s opinion.

**Preparation for Town Meeting**

Ms. Moffitt led the discussion on the logistics of Town Meeting and the speaker assignments of members on the various articles. Coordinating with Select Board and School Committee members is helpful in addressing particular articles so as not to be repetitious in remarks.

The preparation meeting on June 5 is 8:30AM in the West Middle School gymnasium.

**Transition Subcommittee**

Ms. Moffitt noted that discussion will commence on the two remaining dates for meetings on June 9 and June 23.

**Approval of Minutes – May 5, 2021**

Upon motion duly made by Mr. Barry and seconded by Mr. Russo, it was unanimously voted to approve the above minutes. Chairperson Eugenie Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Kevin O’Handley-Y, Linn Anderson-Y, John Barry-Y and Paul Russo-Y. Motion passed 8-0.

**Approval of Minutes – May 12, 2021**

Upon motion duly made by Mr. Barry and seconded by Mr. O’Handley, it was voted to approve the above minutes. Chairperson Eugenie Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Kevin O’Handley-Y, Linn Anderson-Y, John Barry-Y and Paul Russo-A. Motion passed 7-0-1 with Mr. Russo abstaining.

**Plan for Future Meetings**

June 1 – All departmental meeting prior to Town Meeting

June 5 – Pre-Town Meeting @ 8:30AM followed by Town Meeting @ 9:30PM

June 9 – FinCom

June 23 – FinCom – tentatively scheduled to meet in-person

**Adjournment**

Upon motion duly made by Mr. Barry and seconded by Mr. Monticciolo, it was unanimously voted to adjourn. Chairperson Eugenie Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Kevin O’Handley-Y, Linn Anderson-Y, John Barry-Y and Paul Russo-Y. Motion passed 8-0. The meeting adjourned at 8:02PM.

Respectfully submitted,

Christine Martin Barraford  
Recording Secretary

*Attachments:*

*Integrated Financing Plan Presentation*