

Town of Lunenburg

Finance Committee:
Mark Erickson, Chairman
Terri Burchfield, Vice-Chairman
John Henshaw, Secretary
Karin Menard
Caroline Griffis
Jay Simeone



Mark Erickson
7/23/15

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Lunenburg Finance Committee June 11, 2015 Meeting

Location: Town Hall
Present: Mark Ericson, Terri Burchfield, Karin Menard, Jay Simeone, John Henshaw
Also Present: Tom Alonzo--BOS Liaison, Kerry Speidel, Town Manager
Absent: Caroline Griffis

1. Mark called the meeting to order at 7:00 pm.
2. Communications:
 - A. Public: Tom Alonzo announced that The Boys and Girls Club is celebrating their tenth anniversary on June 26th from 4:00 to 7:00 pm.
 - B. Committee: Mark said he had the May and June issues of *The Beacon* and the *Municipal Advocate*.
3. Town of Lunenburg GASB 45 Actuarial Evaluation as of July 1, 2014 – Presented by Parker E. Elmer, Actuary.

Note: The low number of Lunenburg's municipal employees means projections are less stable, especially year by year as they are laid out in the report. They are a framework of the Town's future liabilities.

 - A. Assumptions: (The first two have a large effect on the projection.)
 - i. The average rate of medical cost inflation.
 - ii. The duration retirees are eligible for OPEB.
 - iii. When current employees will retire, and how they will take their benefits.
 - iv. The number of active Town employees remains the same over the next 30 years.
 - v. The retirement plan structure remains the same over the next 30 years.
 - B. Overview:
 - i. The Town's projected OPEB liability declined from \$41 million to \$33 million as a result of the Town's actions to lower cost of subsidizing Medicare Insurance and shifting to MEDEX coverage and because the cost of health insurance declined for current employees.
 - ii. In present dollar terms the Town's projected annual OPEB costs would increase by \$2 million in the final year of the projection.
 - iii. The Town's average OPEB cost per employee and retiree is \$4,300, close to the average cost for cities and towns throughout Massachusetts.
 - iv. Lunenburg's OPEB liabilities compare favorably to our peer group of similar towns in the state.
 - v. Our liability as a percentage of the Town budget has plateaued:
 - Changes in the mortality table the model used have led to a projected increase over the next 15 to 20 years in the number of retirees, which would increase OPEB costs to the Town; however the increase would happen gradually.

- vi. The excise tax on health insurance as part of the Affordable Care Act (ACA) subjects high cost medical insurance plans to a 40% tax, which could affect our Town around 2025.
 - C. GASB 75, which mandates more disclosures, will replace GASB 45 in 2018.
 - i. While GASB cannot mandate how municipalities pay for OPEB obligations, GASB 75 will provide some more incentive to fund future liabilities by mandating that the rate of interest the Town can earn is indexed to the Municipal Funds rate.
 - D. The Town's ability to make design changes to the health care benefit plan for current employees and retirees is limited by constraints the state has set. These include:
 - i. Municipalities may not change when their employees are eligible for benefits.
 - ii. Also impermissible is changing the share of costs employees bear relative to length of service.
 - E. The Town's options to change the health care benefit plan for new hires include:
 - i. Changing the share the Town pays of Medicare Part B premiums.
 - ii. Increasing present compensation in exchange for lower future OPEB costs.
 - Randy Scollins of Foxborough has worked on creative plan designs.
 - iii. In addition, the Town may use any monies in the Trust Fund it has in an OPEB trust fund at any time provided it is spent to pay for retiree health costs of OPEB.
 - F. Committee Discussion, general agreement:
 - i. Mark stated that OPEB funding is a challenge for the Town:
 - An approach to explore is making changes to plan design (e.g. Exploring a defined contribution as opposed to a defined benefit.)
 - Point of information: The Town negotiates the health insurance plan and the respective percentages the employees and the Town pays with a public employee committee comprised of representatives of public employee unions and retirees.
 - ii. Mark also highlighted the context that over the 30 year period of the projection the Town's OPEB costs would increase by about \$2 million (constant dollars.) (See 3.b.ii. above), which suggests that this is a manageable issue for the Town.
 - iii. John had some concerns about whether the projected increase the number of retirees in the early to mid-2030s would mean an increase in OPEB costs then.
 - However, the annual costs of OPEB are just over \$1 million and the Town is funding it now.
 - It may be useful to project costs relative to projected revenues to frame the issue as the article Terri circulated suggests.
4. Minutes:
- A. John will send Mark the minutes of the Finance Committee meeting of May 5th – concurrent with Town Meeting.
 - B. Minutes of the May 14 meeting. Jay made a motion to approve the minutes of the May 14 meeting as submitted; Karin seconded the motion. Mark stated that the date of the next meeting had to be corrected, which he did. The committee approved the corrected minutes 4-0. John did not vote as he did not attend the May 14th meeting.

5. Committee/Department Liaison Updates:

Committee/Department-- Reported By:	Update:
Capital Planning--John H.	The committee will meet sometime this summer to consolidate the initiatives begun in FY2015. Jamie will continue to serve on the Capital Planning Committee.
Public Works--John H.	No report.
PACC--John H.	The PACC will meet at the beginning of June on their FY16 budget.

Library—Caroline G.	No report.
Council on Aging—Caroline G.	No report.
Public Safety—Terry	No report.
Schools—Karin	The schools are hiring two new teachers to alleviate high class sizes issue in the fourth and sixth grades. This involved reassigning some teachers. In addition, a kindergarten grant the school system received has freed up some funds to pay for these positions. .
Monty Tech—Karin	No report.
Sewer Commission—Jay	Residents on Pratt Street, Lakeview and Cross Road attended to voice their concerns over estimated total costs per household of \$36,500 to \$38,500 for the betterment, connection fees, and associated costs. There was some talk about rescinding the vote in favor of the project. However a contract has been signed and the project has begun. The Commission also took up the issue of compliance with reporting grease trap maintenance. The maintenance has been done, but not reported in a timely manner.
Green Community—Jay	No report.
Building Re-Use—Mark	The committee will meet the week of June 15.
School Building--Mark	The project is one-third complete. It had been about four weeks behind schedule, but some of that has been made up, and opportunities remain to make up the rest of it up. Work is beginning on enclosing the building. Contingency fund: \$50,000 has been spent from the contingency fund. As construction progresses it becomes less likely, though not certain, that further expenditures from the contingency fund will be necessary.

6. Budget Goals and Opportunities:

- A. Outline how we go about setting budget goals during the summer months, prior to the budget review process.
- B. Setting criteria for setting budget goals and priorities.
 - i. These criteria would guide the committee's budget recommendations.
 - ii. Inviting other departments to share their perspectives would give us more information as we set the criteria.

7. Mark and Terri are up for re-appointment and the Finance Committee will reorganize at the first meeting in July. That is when we will decide committee assignments.

8. Adjournment: Terri moved to adjourn the meeting, seconded by Karin and approved 5-0. The meeting adjourned at 8:21 pm.

Respectfully submitted by John Henshaw July 20, 2015