

Minutes of the Acton Finance Committee Meeting November 8, 2011 7:30 pm – Faulkner Room, Acton
Town Hall

Pursuant to a notice duly posted with the Town Clerk and with a quorum of members present, the Acton Finance Committee convened at 7:30 p.m. on November 8, 2011, to review various matters.

Members Present: Mary Ann Ashton, Maynard Brandon, Patricia Clifford, Steve Noone, Clint Seward, and Doug Tindal.

Members Not Present: Robert Evans, Paulina Knibbe, and Bill Mullin

Others Present: Assistant Town Manager John Murray, Town Manager Steve Ledoux and Finance Director Steve Barrett

Acting Chairman Tindal called the meeting to order at 7:30 pm. In the absence of any public participation, he recognized Mrs. Clifford for a report on Minutes for the October 25th meeting which were presented in draft to the committee. Mrs. Ashton moved approval; Mr. Noone seconded the motion which was adopted without objection.

Budget Planning and FY11 Wrap Up

Mr. Tindal welcomed Messrs. Ledoux and Barrett for a financial update for FY2011 closing and outlook for FY13 budgeting. Mr. Barrett reported FY11 closed positively, highlighted by savings in the Health Insurance accounts. Additionally, revenue was greater than expected while expenses were less than the Town Meeting appropriation -- attributed to savings in both pensions and health insurance. The estimated turnback is close to \$1 million; strategically, spending was held back early to accommodate snow and ice removal costs. There were only minor problems with receipts.

Mr. Ledoux indicated that the first third of FY12 has been on target; town counsel expenses have been significantly under target, partly as a result of negotiated fee reductions. The two unanticipated storms in August and October have had significant negative impact on overtime budgets.

There are two areas of concern, The Nursing Service continues to exhibit negative trends with approximately \$14.00 of expenses for every \$7.00 of revenue. There is concern that a Special Town Meeting to transfer funds may be necessary; staff is consulting with counsel on the process for shutting down an Enterprise Fund. Options will be laid out to the Board of Selectmen in late November. The transportation programs are troubled as well as, Dial A Ride has not received grant funding. Staff is exploring options to make the programs more efficient such as combined dispatching with the school department and shared vehicles; they are looking at diverting part of the MBTA assessment as well.

The FY13 Budget process began in August, with the retreat held in October. Early estimate for Level Service Funding is 4.5 percent; additionally there are requests under consideration for \$710K in new personnel including additional police and dispatch positions, a transportation director, truck driver, arborist, and building inspector. The "A" List capital projects total \$2.1 million including radio interbanding, trucks, a sander and a generator. Large capital projects discussed were the North Acton Fire Station, design for the Senior Center, renovation of the North Wing of Town Hall for a permitting department. Two issues that will require creativity to resolve are the shortfall in the Nursing Service enterprise fund, estimated at \$250-300K and \$245K unfunded costs for transportation services.

Mr. Noone urged the Manager to consider a Special Town Meeting as a last resort; he confirmed that the tentative Highway Department contract would be on the warrant at the next Town Meeting.

Mrs. Ashton acknowledged the work of the Town staff during the Halloween Nor'easter to ensure safety and manage orderly, quick clean up. She asked for comments on any cost drivers identified as troublesome during the early budget development. The cost of fuel, which also affects the paving program, has been difficult to pin down. Questions around health insurance costs also challenge the budget group.

In response to Mrs. Clifford, Mr. Barrett clarified that lower investment income was somewhat offset by increased late fees. He characterized Enterprise Fund performance for sewers and recycling/transfer station as strong; the Ambulance fund is "hanging in."

Mr. Tindal also thanked the Town for its efforts during the storm and asked about the audit schedule. Ideally, the audit is done before the budget consideration; this year it is scheduled for January 1. Mr. Barrett confirmed that the 26-liner summary will be in the Budget Book.

Mr. Ledoux also reported on the work of a committee of Town Managers to develop an allocation formula for the \$100 million in capital expenses needed to rebuild Minuteman High School. The committee has endorsed Model E described in correspondence distributed at the meeting. Because any formula has to be adopted by 16 towns, there is also an effort to talk with legislators about statutory changes to recognize current issues such as the tuitioning in of students from out of district. Minuteman already charges maximum allowable tuition.

In response to Mr. Seward, the Town Manager reported the following staffing changes: Deputy Police Chief has been hired, triggering a chain of departmental changes resulting in 2 or 3 vacancies; the GIS coordinator position is open; there are 2 vacancies in Finance.

Mr. Tindal asked the manager to consider retaining professional advice to recommend staffing for the police department as well as to consider a consultant rather than a full time Economic Development Officer. He also suggested investigating vacant commercial spaces in lieu of renovations and real estate acquisitions.

Mr. Murray offered observations on the budgeting cycle consistent with his interactions with Moodys. He confirmed that Acton is on a downgrade list, and that among other factors, Moodys would consider a 30 month budgeting period from FY11 to FY13. In addition to considering the will of the community to support operations, Moodys will likely consider external factors such as the report of the Super Committee and how the Health Care industry impacts our demographic. In response to Mr. Seward, he confirmed that Moodys would look at unfunded liabilities, but cautioned that other statistical trends have weight. Mr. Tindal asked Mr. Murray to provide material that might offer a sense of Moodys priorities.

Status of Health Insurance Funding (GIC)

Mr. Noone reported on meetings held by the Board of Selectmen and the Regional School Committee to discuss Chapter 69. He believes that the Town should not turn away from this opportunity from the State to explore potential cost savings. In addition to short term cost savings we have a chance to get commonality of plans which may yield greater long term benefit. Mr. Tindal concurred that the issue is enormously complex in a profoundly unstable environment that requires careful discussion and investigation.

Mr. Noone moved that the Finance Committee strongly recommend to the Board of Selectmen and the Regional School Committee that they accept Chapter 69 of the Municipal Health Insurance Reform Act for the purposes of exploring any and all opportunities to take advantage of legislative changes designed to assist local governments reduce health care expenses. Mr. Brandon seconded the motion.

Mrs. Clifford expressed support to assist the Health Insurance Trust reach their goals of streamlining plans. Mr. Brandon saw no downside to accepting Chapter 69. Mrs. Ashton expressed concern about the tone of the discussions at both the Board of Selectmen and Regional School Committee meetings and shared her unease with the direction of the decision process. While supporting the motion, she perceives the need for more conversation in the community among the Boards and employees in a less emotional format. She suggested the motion add language to build in time to have these conversations to correct the process.

Mr. Seward agreed with Mr. Noone's motion. His concern is that budgets are not sustainable and this tool is a minor step in the right direction to achieve some savings. He agreed with Mrs. Ashton that more conversation is good and employees need to be treated fairly.

Mr. Noone addressed the friendly amendment by saying that the meetings to this point have been unilateral demands rather than discussions and that both bodies need to accept the legislation first. Mrs. Clifford suggested two motions to give clarity to both the need to proceed and the benefit of getting everyone talking to get the best resolution. Mr. Brandon commented that negotiations are adversarial and work to the disadvantage of the taxpayers.

Mr. Tindal supported Mr. Noone's motion and agreed with Mrs. Ashton that the level of emotion at various meetings shows both fear and concern that should be heard and understood. He would support two motions and asked the staff what trip wires we might encounter. Mr. Ledoux said the overall time line is 173 days; a major question is how we can effectuate savings without and early answer. Mr. Murray said that the two studies differed in the potential savings (Cook \$577K and Segal \$607K) but the real disagreement is what employees would do within the GIC. Mr. Ledoux said that another potential cost is that local aid could be affected if governments chose not to follow A&F's lead to move into GIC.

Hearing no further discussion, the Chair called for a vote; motion was agreed to 6-0.

Mrs. Ashton then moved that the Finance Committee recommend to the Board of Selectmen and the Regional School Committee that they initiate a 45 day period of conversations and public meetings among the Boards and other interested groups for the purpose of sharing information and developing a clearer understanding of the potential health insurance changes and how these can be realized pursuant to Chapter 69. Mrs. Clifford seconded.

In response to Mr. Noone, she said the 45 day period could start when the Boards voted to enable Chapter 69. She argued that plan design can't impact contracts already in place and that any delay caused by this additional time will have a smaller impact and hopefully a better solution. Mr. Brandon said it was important to adhere to overall timelines in the legislation. In response to Mr. Tindal, Mr. Ledoux said the number of non union employees was about 300. He also pointed out that there are opportunities for dialogue with the IAC (Insurance Advisory Committee) and the PEC (Public Employee Committee) both part of the statutory process. Mrs. Clifford said she supported the 45 days, considering it a short period of time over a long process that should give everyone assurance that it was done well. Mr. Tindal observed that it appears that the 45 days fits within the time frame and is well worth doing. Mr. Noone concurred since the clock does not start until there is a plan.

The Chair called the vote, which was unanimous, 6-0. Following the vote, Mr. Murray reminded the committee that he had been involved in the writing of the legislation allowing this change in health insurance and that the Town Manager had over 35 years negotiating experience so that both were qualified to understand the negotiations and processes.

White Paper Projects

OPEB: Mr. Noone reviewed the recommendation of the OPEB subcommittee to fund some of the ARC. Mr. Seward advocated for the private sector practice of funding all of the liability.

Mrs. Clifford moved that the Finance Committee recommend the establishment an OPEB Trust in 2011 for retiree health insurance benefits and begin to fund the ARC at an amount to be determined by the Finance Committee as the FY13 budget cycle evolves. Mrs. Ashton seconded the motion. Mr. Brandon said that full funding would eliminate the problem in 30 years and supported the motion.

In response to Mrs. Ashton's question about timing to enact the motion, Mrs. Clifford said it might take 18 months to set up the trust, write the documents, adopt the trust at Town Meeting and then fund it. Mrs. Ashton said it would be good to start the discussion and do something to give both the Town and the rating agencies an idea of our intentions. Mr. Tindal commented that very few governments have done anything to manage these liabilities and believes raising the issue is important as a public policy matter, although he supports a lower funding number in the current economy. Mr. Noone pointed out that we have the option of putting \$2 million in the trust rather than using it as an operating subsidy.

The Chair called for a vote to accept the recommendation as moved. Passed unanimously 6-0.

TOWN ASSETS: Mrs. Ashton moved that the paper on Town Assets be accepted as written and moved to editing. There was no objection.

Point of View

Mr. Tindal asked the committee to review the previous POV documents he had circulated and be prepared to contribute pieces to a drafting project to be directed by Chairman Mullin. Members suggested that the POV commentary include OPEB, Legal Costs and Health Insurance.

Mr. Murray reminded the committee that the Town Budget was approximately two weeks from completion and that the POV would likely not be reflected in the first cut.

At 9:53, Mr. Brandon moved adjournment. Mr. Noone seconded the motion which was adopted without objection.

Respectfully submitted,

Patricia Clifford
Clerk

