

Town of Acton
OPEB Working Group

R E C E I V E D
APR 3 2013

Minutes

TOWN CLERK, ACTON

Wednesday, November 7, 2012

R.J. Grey Junior High

Superintendent's Conference Room

7:00p.m.

Attendees:

Members: D. Clough, D. Bruce, R. Evans S. Barrett, D. Aicardi,
S. Noone

Public: J Clymer

1 Reviewed results of conference call with Segal & Co
Our data will be included in a presentation to the State
OPEB Commission on Nov. 13.

According to Segal many of our questions will be answered
by that analysis(See attached 1)

2 Review of assignments from last meeting

The total number of part time benefited positions is

Schools 36

Town 8

Ideas for funding were discussed

3 Begin consideration of funding for next year

Discussed Fincom Point of View (see attached 2)

Bonding as an option was discussed

The group reached consensus on \$800,000 for FY 14

The next meeting date was set for Nov 28

Meeting was adjourned

OPEB Commission

October 23, 2012



Agenda

1. **Approval of minutes of September 25, 2012 meeting**
10:00am
2. **Review of principles, process, and potential strategies**
10:10am
3. **Additional information**
10:30am
 - EGWP (Aon, GIC)
 - VEBA (Segal) [brief introduction, to be discussed in-depth at next meeting]
4. **Actuarial analysis** [materials to be distributed at the meeting]
11:00am
 - Baseline
 - Preliminary views on analysis of savings estimates at state-level
 - Timeline going forward
 - Impacted populations
5. **Additional considerations with regard to benefit changes**
11:45am
 - Part-time policy
 - Survivor benefits
6. **Recap and discussion of potential strategies**
12:05pm
7. **GIC report on new health plan procurement reflecting MA health care cost containment law**
12:35pm
8. **Adjournment**
12:45pm

Proposed Principles and Considerations

Commitment to Intergenerational Equity

- Avoid shifting costs onto future generations
- Honor health care promise to retired career employees

Competitive Compensation Packages to Attract Employees

- Including quality, affordable health care for retirees

Urgent Need for Sustainable Government

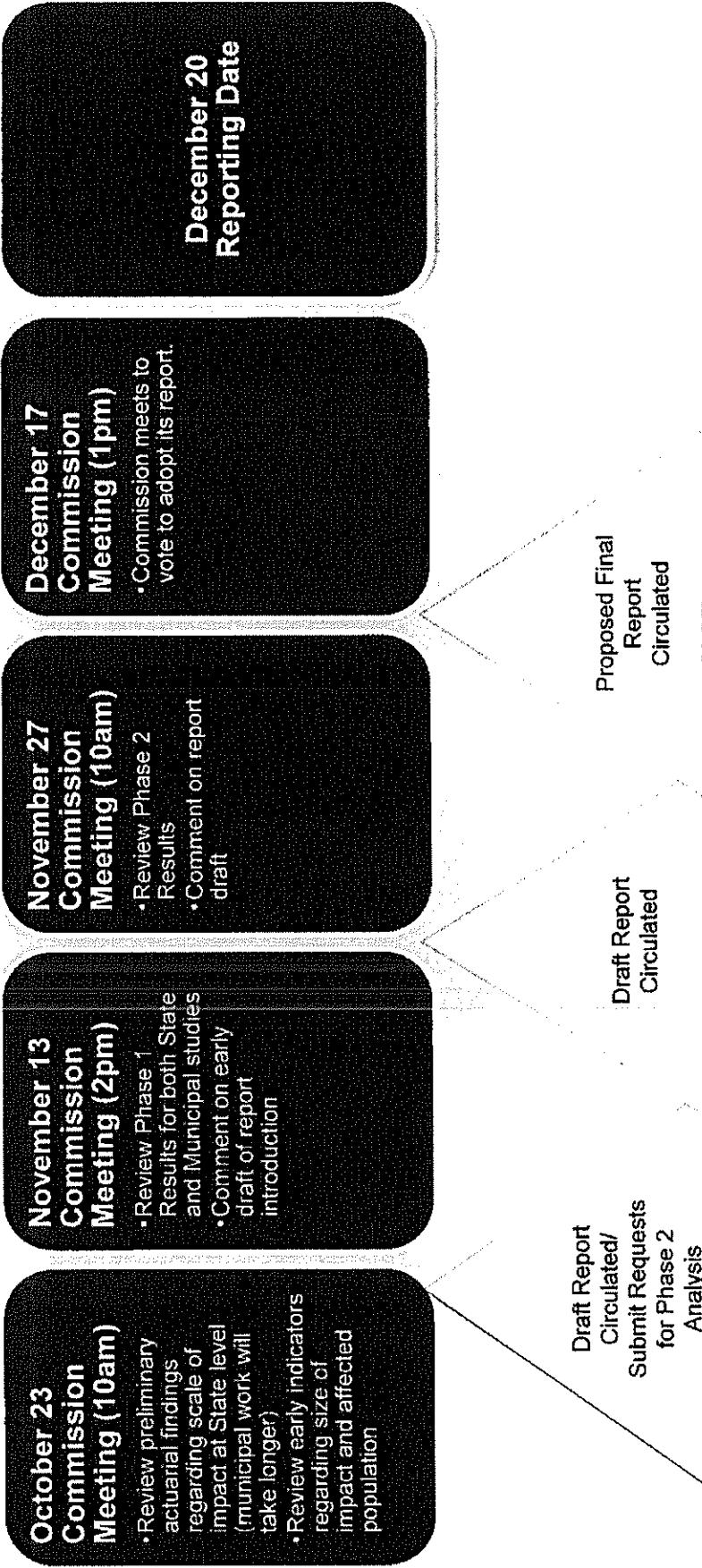
Prudent Allocation of Taxpayer Dollars Among Critical Services

- Transportation, education, benefits, etc.
- Maintenance of credit ratings

Alignment with Recent Changes to State and Federal Health Care Programs

- With a focus on access and cost control

Process and Calendar



Review of Potential Strategies

- Benefit Design
 - Minimum age and/or minimum years of service (YOS)
 - Pro-rating
 - Part-time worker requirements
 - Spousal benefits, survivor benefits, hazardous employees benefits, continuing service requirements
- Cost Containment
 - Index to inflation
 - Establish metrics with automatic alarm or mechanism if cost growth metric is unsustainable
- Employee Funding
 - Active contributions
 - Voluntary employees' beneficiary association (VEBA)
 - Sick leave/vacation leave funding
- Good Governance
 - Employee group waiver plan (EGWP)
 - Procurement

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Town of Acton Finance Committee

FY2014 Finance Committee Point of View with Respect to the 2012-2013 Budget Planning Process

As in previous years, the Finance Committee offers this memorandum to describe the Town of Acton Finance Committee's Point of View ("POV") with respect to planning for the FY2014 Town and School Budgets. We have shortened the prose this year and instead are relying on our Long Range Financial Planning model to demonstrate the trends and forecasts that we see. As with prior Fincom Points of View, we invite comments back from the relevant operating boards and administrators, as well as from members of the public.

Revenues

We have modest expectations of revenue growth in the coming year. The need to support existing services should be balanced with the needs of the taxpayer. We assume a 2.5 percent increase in the levy for the coming fiscal year, but full levy capacity should only be utilized if necessary to support services that citizens have come to expect. We do not anticipate any increase in new growth, nor a change in the overlay.

We expect that state aid will continue along at previous years' pace; the Governor and the Legislature have consistently demonstrated a commitment to maintain Chapter 70 Education aid to cities and towns, but Acton's own declining enrollment may result in a decrease in expected aid. We assume that total state revenues will increase at a 2.5 percent rate over the current year. We also recognize that so-called federal stimulus funds for education from 2009 and 2010 have been completely expended at both the state and local levels.

Motor vehicle excise taxes have been trending at a very modest rate of increase for the last several years. We plan for a 1.5 percent increase in these revenues. The Board of Selectmen is encouraged to review fees routinely and ensure that they are matched with expenses. We project a 2 percent increase in fee revenues, and no increase in interest income.

Overshadowing all of these revenue assumptions is the acknowledgement that financial decisions made at the federal level over the next several months will impact all segments of the economy. While we do not attempt to quantify these events in the long range plan, our recommendations reflect our caution as we all navigate economic recovery.

Expenses

As several of the schools' and town's collective bargaining units return to negotiate this year, the settlement of these labor contracts is a significant unknown. Health insurance has increased at a very low rate for several years, reflecting changes in the employee

share as well as prudent management of the Health Insurance Trust. We project an 8 percent increase in payment for employee health costs. The schools have benefited from a very high reimbursement rate on the Special Education Circuit Breaker for the last several years, so we have assumed a smaller rate of increase (7 percent). Management efforts by all operating entities are expected to continue to hold utility increases in the 2 percent range.

Reserve Use

Turnbacks from the prior budget cycle are estimated at \$1.2 million, and several tax title collections received late in the year are also reflected in the Free Cash certification. Free cash for the Town of Acton as of July 1, 2012 has been certified at \$7.1 million, and the Acton-Boxborough Regional School District Excess & Deficiency account is expected to be certified at approximately \$1.2 million (Acton's "share"). These substantial reserves ensure that there is no need for an operating override for the next budget cycle (FY14). Despite these healthy reserves, the Fincom urges the operating entities to develop budgets that rely on only a conservative amount of these funds to balance. Our long range plan contemplates the use of up to \$1.5 million of reserves.

Level Service Budgeting

All operating entities have become accustomed for several years to plan for "level service" budgets. All have expressed the concern that there are priorities that need to be addressed. The Fincom urges the operating entities to only undertake new programs and initiatives where either there is a new revenue source identified to support this activity, or there is some current service that can be discontinued or otherwise economized to accommodate these services. In particular, we do not support additional hiring without offsetting expense reductions.

OPEB

The OPEB Working Group has begun their work, and they are anticipating providing several alternative recommendations for the Board of Selectmen, the School Committees and the Finance Committees to consider sometime later in November. We expect that they will provide recommendations about the amount of this liability to be funded by local taxpayers on an annual basis, what period of time will be required to meet this liability, and what funds could be used to meet this obligation. We will revise our POV Long Range Financial Plan with these numbers, once they are vetted and decided, but in the meantime in lieu of this information we are assuming the same numbers that we had previously used in our LRFP for the "Most Likely" case.

Long Range Financial Planning Tool

Attached is the summary page for our five-year plan using these assumptions, and a detailed page of our assumptions. The full model is available.

| Scenario: | Fincom FY14 POV | Town Meeting | | | | FY16 | | FY17 | |
|--|-----------------|--------------|---------|---------|---------|---------|------|------|---|
| | | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | | |
| Revenues | | | | | | | | | |
| Tax Levy (excluding debt) | 63,781 | 66,398 | 68,499 | 70,653 | 72,860 | 75,123 | | | |
| State Aid | 11,653 | 12,216 | 12,522 | 12,835 | 13,156 | 13,485 | | | |
| Local Receipts | 3,906 | 4,018 | 4,082 | 4,147 | 4,213 | 4,280 | | | |
| Debt Exclusion + SBAB Reimburse | 4,082 | 4,043 | 3,928 | 3,903 | 3,874 | 3,833 | | | |
| Override | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues (including debt) | 83,402 | 86,676 | 89,031 | 91,537 | 94,103 | 96,721 | | | |
| Use of Reserves | 1,853 | 1,700 | 1,500 | 1,750 | 1,750 | 1,500 | | | |
| Available Revenues - Including Use of Reserves, Less Debt Exclusion, SBAB | 81,173 | 84,333 | 86,603 | 89,385 | 91,979 | 94,388 | | | |
| Expenses | | | | | | | | | |
| Salaries | 2,767 | 2,805 | 2,889 | 2,975 | 3,065 | 3,157 | | | |
| Salaries - Police | 2,354 | 2,475 | 2,549 | 2,626 | 2,704 | 2,786 | | | |
| Salaries - Fire | 6,044 | 6,453 | 6,646 | 6,846 | 7,051 | 7,263 | | | |
| Salaries - Other Municipal | 24,843 | 26,389 | 27,709 | 29,094 | 30,549 | 32,076 | | | |
| Salaries - Teaching | 10,133 | 11,252 | 11,590 | 11,938 | 12,296 | 12,665 | | | |
| Salaries - Other Education | 10,760 | 9,328 | 10,074 | 10,880 | 11,750 | 12,690 | | | |
| Health Insurance | 4,361 | 4,886 | 5,032 | 5,183 | 5,339 | 5,499 | | | |
| Fringes Other (Incl Pension) | 1,814 | 2,467 | 2,541 | 2,617 | 2,696 | 2,777 | | | |
| Capital and One-Time Expenses | 557 | 484 | 494 | 504 | 514 | 524 | | | |
| Included Debt Service | 5,643 | 5,470 | 5,853 | 6,262 | 6,701 | 7,170 | | | |
| SPED Tuition & Transportation | 862 | 798 | 838 | 880 | 924 | 970 | | | |
| Other Student Transportation | 2,650 | 2,834 | 2,891 | 2,949 | 3,008 | 3,068 | | | |
| Utilities, Gas & Diesel | 8,816 | 8,193 | 8,357 | 8,524 | 8,694 | 8,868 | | | |
| All Other | 81,614 | 83,833 | 87,462 | 91,277 | 95,289 | 99,511 | | | |
| Total without Excluded Debt % Increase | | 2,72% | 4.35% | 4.36% | 4.40% | 4.43% | | | |
| Cost Reduction | 0 | 0 | (649) | (750) | (836) | (836) | | | |
| Service Delivery Increases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Plans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OPEB Contribution | 0 | 500 | 700 | 900 | 1,000 | 1,500 | | | |
| Net Position | (441) | (0) | (1,559) | (2,792) | (4,310) | (6,623) | | | |

| Assumptions | Decisions | | | FY14 Fincom POV |
|---|----------------------|-------------|-------------|---|
| | Favorable | Most Likely | Unfavorable | |
| Revenues | | | | |
| Tax Levy | 2.5% | 2.5% | 2.5% | 2.5% |
| Annual Increase | 0.0% | 0.0% | 0.0% | 0.0% |
| New Growth | 0.0% | 0.0% | 0.0% | 0.0% |
| Overlay | 0.0% | 0.0% | 0.0% | 0.0% |
| State Aid | | | | |
| Cherry Sheet | 2.5% | 5.0% | 2.5% | 2.5% |
| Regional Revenue (Action Share) | 2.5% | 5.0% | 2.5% | 2.5% |
| Local Receipts | | | | |
| Excise Taxes | 1.5% | 2.5% | 1.5% | 1.5% |
| Fees | 2.0% | 2.5% | 2.0% | 2.0% |
| Interest Income | 0.0% | 0.0% | 0.0% | 0.0% |
| Expenses | | | | |
| Salaries | | | | |
| Salaries - Police | 2.5% | 3.0% | 4.0% | 3.0% |
| Salaries - Fire, include \$482 in Ambulance | 2.5% | 3.0% | 4.0% | 3.0% |
| Salaries - Other Municipal | 2.5% | 3.0% | 4.0% | 3.0% |
| Salaries - Teaching | 4.0% | 5.0% | 6.0% | 5.0% |
| Salaries - Other Education | 2.5% | 3.0% | 4.0% | 3.0% |
| Health Insurance | 7.0% | 8.0% | 9.0% | 8.0% |
| Fringes Other (incl Pension) | 2.5% | 3.0% | 4.0% | 3.0% |
| Capital and One-Time Expenses | 2.0% | 3.0% | 4.0% | 3.0% |
| Included Debt Service | | | | |
| SPED Tuition & Transportation | 8.0% | 10.0% | 12.0% | 7.0% |
| Other Student Transportation | 3.0% | 5.0% | 7.0% | 5.0% |
| Utilities, Gas & Diesel | 2.0% | 3.0% | 4.0% | 2.0% |
| All Other | 1.0% | 2.0% | 3.0% | 2.0% |
| Salaries | Still in negotiation | | | |
| Salaries - Police | | | | Historical increase from FY 06-FY11 has been 4.9% |
| Salaries - Fire | | | | Firefighter CBA calls for 1.5% increase for FY13, historically the increase has been approximately 3% per year |
| Salaries - Other Municipal | | | | Historical increase from FY 06-FY11 has been 4.3% |
| Salaries - Teaching | | | | AEA CBA calls for 1.7 % increase for FY13, steps and lane progression add 2.0% for a total increase of 3.7% |
| Salaries - Other Education | | | | AFSCME and OSA CBA call for 4.8% increases in FY13 |
| Health Insurance | | | | Segal Actuarial Consultants Study used 8.5% |
| Fringes Other (incl Pension) | | | | Historical increase from FY 06-FY11 has been 7.5% |
| Capital and One-Time Expenses | | | | Historical increase from FY 06-FY11 has been 15.0% Catch up contribution to the Middlesex Retirement Plan account for half of that increase |
| Included Debt Service | | | | Historical increase from FY 06-FY11 has been 4.0% |
| SPED Tuition & Transportation | | | | Historical increase from FY 06-FY11 has been 10.1% |
| Other Student Transportation | | | | Historical increase from FY 06-FY11 has been 7.7% |
| Utilities, Gas & Diesel | | | | Source Data USEIA Annual Energy Outlook price forecast for 2012-2017 Gasoline 5.3% |
| All Other | | | | Source Data USEIA Annual Energy Outlook for 2012-2017 price forecast for Natural Gas -0.6%, Heating Oil 4.9% Electricity 0.6% Gasoline 5.3% |
| | | | | Historical increase from FY 06-FY11 has been 1.5% |