

TOWN OF HARVARD
Finance Committee
Minutes

Meeting Date: Wednesday, May 16, 2012

Meeting Place: Town Hall Meeting Room

Members Present: Marie Fagan (chair), Steve Colwell, Heidi Frank, Alan Frazer (assoc.),
Alice von Loesecke, George McKenna, Rudy Minar, Laura Vilain (assoc.)

Members Not Present: Bob Thurston

Others Present: Tim Bragan - Town Administrator

Meeting Time: 7:00 p.m. Adjournment Time: 8:50 p.m.

Discussion and Actions

- Marie Fagan opened the meeting at 7:00 p.m.

- Minutes for Wednesday, May 2, were reviewed, and approved with changes.
A motion was made to accept the Minutes for May 2, 2012.
The vote was 4:0:1 in favor.

- Public Commentary

Stu Sklar, Scott Road

Raised concern that citizens were presenting unfunded pension information to FinCom as an agenda item and not through Public Commentary.

If this is the new policy, he explained, then he would like to propose a FinCom discussion resolving the Town's structural deficit by implementing a Harvard income tax. The Town needs more revenue, Sklar explained.

Chris Ashley, Woodside Road

Said that the Finance Committee was a strong, independent body and that the unfunded pension issue had been vetted at Annual Town Meeting. He said he wanted to hear options, and other recommendations.

Alice von Loesecke joined the meeting

- Discussion of GASB 45, including presentation by Keith Cheveralls and Leo Blair

Marie Fagan opened the discussion by saying she'd like to "learn as much as we can about GASB 45." Speaking to Sklar, she explained she did not intend a change of policy, but to discuss the issue. Both Keith and Leo offered to be heard during Public Commentary, but were invited to present as an agenda item.

Keith Cheveralls began with the disclaimer that he was not acting as a representative of the School Committee or the Capital Planning and Investment Committee. Neither he nor Leo Blair were actuaries or auditors, they simply have taken on a review of GASB 45 as an independent research project.

Keith provided history of GASB 45 discussing the variables that are leading to the very large, future increases in funding OPEB (Other Post-Employment Benefits - health and life insurance, not pensions).

Leo Blair discussed the details of the unfunded liability of \$29M, including explaining the breakout of the 84 retirees and the 199 active Town employees. Both speakers tasked the FinCom to get an actuarial study, because the numbers are "moving and changing."

Leo outlined their recommendations:

- 1) To adopt an irrevocable trust, with segregated OPEB funds; in part to maintain our high bond ratings
- 2) To recalculate the Recap and Calculator which includes a schedule for figuring future liabilities and creating a reserve fund;
- 3) To create a separate line item in the Town's budget for OPEB; approximately \$2M-\$3M/yr
- 4) To create a new budget incorporating the OPEB expense.

George McKenna commented that the Town would not have to cover 100% of the future OPEB liability, perhaps only 65% because of the variability of timing of when Town employees might retire, or leave. The 65% is accepted both within the State, and nationally. He reminded the Committee that there are other needs in Town such as determining what will happen at Devens, and looking at improving the Town's commercial base.

George suggested taking a portion of the Stabilization Fund to get started. It was agreed more discussion about this was needed. Another discussion was to look at the retiree health insurance with a 75:25 split;-- current retirees pay 25% to the Town's 75%. This could change to a 50:50 split. Alice suggested looking at policy issues going forward, including vetting as right-sized current Town projects being funded, and the policies regarding early retirement.

It was noted that the Auditors will be speaking to the OPEB issue early June with the Board of Selectmen. All were invited to attend.

- Town Administrator Report (Tim Bragan)
Chief Denmark requested a reserve fund transfer (RFT) of \$14,770 for the police department's HVAC issue. Discussion continued related to the scope of continuing HVAC repairs and when to stop and replace the equipment completely. The outcome of the HVAC issue remains uncertain.

A motion was made to provide a RFT of \$14,770 to the Police Department for building maintenance. The vote was 6:0 in favor.

A motion was made to encumber \$2,348 for the emergency repair of the HVAC system. The vote was 6:0 in favor.

- No Finance Director's Report
- No Liaison Reports

- Other Business

Alan Frazer began discussion about a "Review of Process" of the year on the Finance Committee. He suggested several areas of concern including 1) the onslaught of warrant articles right at deadline, 2) FinCom needing to present at ATM a snapshot of finances, but not as a Recap (Steve's tax impact worksheet), and 3) a review of all audit reports.

- Next meeting – June 6, 2012, Town Hall meeting room

Meeting adjourned at 8:50 p.m.

Respectfully submitted,
Laura Vilain