

**ADVISORY AND FINANCE COMMITTEE
MEETING MINUTES
of
July 16, 2014**

A meeting of the Advisory & Finance Committee was held on Wednesday, July 16, 2014. The meeting was called to order by Chairman John Moody at 7:00PM and was conducted in the Mayflower II Meeting Room at the Plymouth Town Hall, 11 Lincoln Street, Plymouth, Massachusetts.

PRESENT **Fourteen members of the committee were present:**
Cornelius Bakker, Kevin Canty, Richard Gladdys, Michael Hanlon, Harry Helm, Kevin Hennessey, Michael Hourahan, Shelagh Joyce, Ethan Kusmin, Kevin Lynch, John Moody, Harry Salerno, Marc Sirrico, Charles Stevens

ABSENT **One member of the committee was absent:**
Christopher Merrill

AGENDA ITEMS

Welcome New Members

The four newest members of the committee were introduced: Kevin Canty, Harry Helm, Kevin Hennessey and Kevin Lynch. All committee members took a moment to share a bit about themselves and their backgrounds. New Budget Analyst, Kere Gillette, was also introduced.

Reorganization of Board

Before elections for Chairman, 1st Vice Chair and 2nd Vice Chair began, Chairman John Moody relinquished the role of Chair to Cornelius Bakker.

Election for Chairman: Cornelius Bakker asked for nominations for Chairman. **Richard Gladdys nominated John Moody. Michael Hanlon, second. No other nominations were made. John Moody was re-elected as Chairman with a unanimous vote (13-0-1). John Moody abstained.**

Cornelius Bakker then relinquished the role of Chair back to John Moody.

Election for 1st Vice Chair: John Moody asked for nominations for 1st Vice Chair. **Shelagh Joyce nominated Michael Hanlon. Richard Gladdys, second. No other nominations were made. Michael Hanlon was re-elected as 1st Vice Chairman with a unanimous vote (12-0-2). Michael Hanlon and John Moody abstained.**

Election for 2nd Vice Chair: John Moody asked for nominations for 2nd Vice Chair. **Marc Sirrico nominated Harry Salerno. Michael Hanlon, second. No other nominations were made. Harry Salerno was re-elected as 2nd Vice Chair with a unanimous vote (12-0-2). Harry Salerno and John Moody abstained.**

End of Year Transfer

Lynne Barrett, Director of Finance, took a moment to introduce herself to the new committee members.

She explained the reasons behind the request for an End of Year Transfer of \$340,000 to cover the shortfall for Member Insurance (the Town's share of health insurance coverage).

FY14 budget was based on estimates made in November 2012 regarding numbers of employees, number of retirees, claims, administrative expenses, stop loss insurance policy, estimated revenues from money market and cds, grant and revolving account reimbursement, and trust fund balance.

Lots of changes occur between the time the estimate is made and fiscal year end. Enrollment numbers changed and contribution rates changed, our grant/revolving reimbursements decreased and a premium increase of 5% for the month of June was not anticipated.

Lynne Barrett said that changes may need to be made to FY15 Member Insurance budget at the August meeting.

Statute dictates that End of Year Transfers can be made by vote of the Advisory & Finance Committee and Board of Selectmen within two months of the fiscal year end (June 30) without the need of going to Town Meeting vote. Last night the Board of Selectmen unanimously approved this End of Year Transfer request.

A question and answer session followed:

Q: Cornelius Bakker – Does “we” include actuarial support?

A: Lynne Barrett – The Town Manager, Human Resources Director, Director of Finance, Blue Cross Blue Shield representatives and our consultant from Cook & Company all met to come up with the estimate. They recommended a 7% increase for FY14. The selectmen then reduced the increase to 4.55%. For FY15 as a result of the same group meeting again, the group recommended a 10% increase. The Director of Finance recommended a 7% increase. The Advisory & Finance Committee reduced the increase to 5%.

Q: Cornelius Bakker – Does the Advisory & Finance Committee's cut reflect actuarial support?

A: Lynne Barrett – Not sure so can not answer that question.

Q: Charles Stevens – With regards to the source of funding from the Police Department, which number do you use, the number before the \$268,000 or after and including the \$268,000?

A: Lynne Barrett – We never approached with 2%, always requested level service budget. New request will include the \$268,000. Hiring new Police Officers can take some time, up to 5-6 months. Charles Stevens – 8-10 officers short will catch up with us eventually.

Q: Michael Hanlon – Who is our 3rd party administrator.

A: Lynne Barrett – Cook & Company.

Q: Michael Hanlon – Where does Blue Cross Blue Shield come in?

A: Lynne Barrett – The Town medical insurance policy is through Blue Cross Blue Shield. We meet with them to come up with a working rate and look at trends, predictions, etc.

John Moody – In essence Blue Cross Blue Shield acts as 3rd party administrator.

Q: Michael Hanlon – What is the Stop Loss Limit?

A: Lynne Barrett - \$175,000 per individual, \$400,000 per corridor. School Department, Town and Retirees all pay into the same plan.

Q: Michael Hanlon – How does OPEB work?

A: Lynne Barrett – OPEB is a separate fund from the health insurance fund. That fund is set up for retirement benefits.

Q: Michael Hanlon – What is the Insurance Advisory Committee's role in the process?

A: Lynne Barrett – The Insurance Advisory Committee is made up of a member of each union and a retiree. They meet monthly. They are part of the review process and they make recommendations to the Town Manager.

Q: Michael Hanlon – Their recommendations are advisory only?

A: Lynne Barrett – Yes.

Q: Richard Gladdys – The shortfall and transfer that you are requesting is \$340,000 not \$360,000?

A: Lynne Barrett – Yes, the \$360,000 was made up of 2 items, \$20,000 for benefits which we discussed approved at the June meeting and now the \$340,000 for insurance.

Q: Richard Gladdys – Should we be concerned with taking so much from the police?

A: Lynne Barrett – No. Funds left unused from FY14 are normally closed out and transferred to free cash. Instead we will just transfer it to cover the insurance shortfall. FY15 is all set and unaffected.

Q: Richard Gladdys – Was this source of funding run by the police?

A: Lynne Barrett – Yes, and everyone is in agreement.

Q: Marc Sirrico – Is police disability paid out of a separate account?

A: Lynne Barrett – We pay disability out of the police budget, unless they are retired.

Q: Kevin Hennessey – There was a lot unforeseen. How much is grant money down by?

A: Lynne Barrett – From \$170,000 down to \$90,000.

Q: Harry Salerno – Of all the components of the variance, what was the largest contributor/impact?

A: Lynne Barrett – The 5% rate increase for the month of June was the largest accounting for \$160,000 of the \$340,000.

Q: Michael Hourahan – Is \$340,000 a hard number or a projection?

A: Lynne Barrett – It is a hard number.

Q: Michael Hourahan – Have you always had free cash available at the end of each year?

A: Lynne Barrett – This is the first time we ever ran short in the health insurance budget. Budgets are managed well but we have never had a problem moving a little money here and there at the end of a fiscal year.

Q: Shelagh Joyce – What percentage of employees use town insurance?

A: Lynne Barrett – Percentage is in the 90s.

Q: Kevin Hennessey – Does the town offer single and family plans? Are there incentives to not enroll?

A: Lynne Barrett – Health insurance offers single and family plans. Dental insurance offers single, one plus one and family plans. Yes, there are incentives to not enroll.

Q: Kevin Hennessey – Why doesn't the town offer single plus one plans for health insurance?

A: Lynne Barrett – We have looked at it but I am not sure why we haven't offered it.

Kevin Joyce – Unions may not want that option offered.

Q: Cornelius Bakker – No Stop Loss?

A: Yes, the stop loss policy is between \$450,000 - \$500,000 per year.

Q: Michael Hanlon – Could the \$340,000 transfer all have been taken from the police budget?

A: Lynne Barrett – No, we can only transfer up to 3% of their budget.

Q: Harry Salerno – Employees pay a percentage, what is that percentage of?

A: Lynne Barrett – Employees pay a percentage of the calculated premium each year.

Q: Harry Salerno – Calculated premium is estimated at the beginning of the year?

A: Lynne Barrett – Yes, and it was calculated at a 4.55% increase over the previous year.

Q: Harry Salerno – When the calculated premium is done, if the Advisory & Finance Committee or Board of Selectmen chooses to reduce the line item, that affects the employee rate?

A: Lynne Barrett – Employees do share in the \$340,000, the town did not put enough in to cover its share. If we have a deficit in health insurance trust fund at the end of the fiscal year then the town would raise it in the recap. We have not had to do it and hope we do not have to. We do not have June claims yet from Blue Cross Blue Shield. We do a quarterly settlement with them.

Q: Harry Salerno – How do employees participate in the shortfall?

A: Lynne Barrett – Shortfall did not happen because of premium, employees paid in to the trust fund, the town side ran out of money to put our share in.

Harry Salerno – Estimate subject to review if amount is reduced, it reduces calculated premium and reduces that portion of shortfall that the town makes up.

Q: Ethan Kusmin – How many other options did we have to choose to transfer from?

A: Lynne Barrett – Each year it varies. Finance had \$10,000 left this year, fire department salaries had money left and there were other options.

Charles Stevens – An observation regarding amounts left in salary line items for police, fire, school, there should be a way to bankroll it for the future.

Q: Kevin Hennessey – If we underestimate next year's projected \$200,000 deficit, the percentage of the town's share could be much larger than 80%, might be closer to 90%.

A: Lynne Barrett – I recommend we go with my original estimate and not cut it.

Q: John Moody – I understand the contribution components payroll, 2 retirement systems, and checks from the pay directs (non-active employees) and the town share. How do we collect and track the pay directs?

A: Lynne Barrett - Their checks go into the Trust Fund and at the end of the year we “true up”. We hope to convert all retirees into our database and run “payroll” so the monthly journal entry will be automated. Right now Human Resources keeps it in an excel spreadsheet. Medicare Part B reimbursements are paid through Accounts Payables warrant because we can not do ACH direct deposit and it is a cash reconciliation nightmare. Once it is in the database we can pay through the payroll system as an ACH deposit. We can transfer the town share monthly. Now the journal entry transfer for the town share lags 1-2 months. Every two years when actuary asks for database, we give them various spreadsheets. In the future human resources can maintain one database instead.

Q: John Moody – How will database help with the pay directs?

A: Lynne Barrett – Pay directs will be included in new database and Human Resources will be able to turn off the inactives.

Q: John Moody – With the new database would you have to wait until the end of the year to “true it up”?

A: Lynne Barrett – No, we could do that monthly.

Q: John Moody – The investment income in the trust of \$114,706 is based on the 5 year average balance of the Trust Fund?

A: Lynne Barrett - We had \$6 million the Trust Fund six years ago.

Q: John Moody – What we see in FY14 \$66,000 because we don’t have the “cushion” of 6 million, 4 million of the 6 million is gone. Managing the “cushion” in the trust fund is a critical component if we aren’t putting as much in the trust fund, is the money elsewhere in the town coffers?

A: Lynne Barrett – No.

John Moody – 80% of \$6 million was town money that could have been used in other ways. If it is drawing down the fund then it is being put to use elsewhere in the town.

Lynn Barrett – We calculate the premium using the balance in the Trust Fund so there has not been an increase in 4 years. 1.2 million from the Affordable Care Act was put into the Trust Fund.

Q; John Moody – How many pay directs are there?

A: Lynne Barrett – Only a handful from the town and between 30-50 from the school.

Q: John Moody – With the pay directs in the database, we will have the ability to project better?

A: Lynne Barrett – Yes.

Michael Hourahan moved to approve the end of year transfer of \$340,000. Cornelius Bakker, second. Richard Gladdys commented that he would have liked to have seen more departments contribute to the transfer, having such a large portion come from the police budget is a bit scary and he would have liked to have seen it spread out more.

Motion carries unanimously (13-0-1 with Charles Stevens abstaining due to conflict of interest).

MEETING MINUTES

There are no meeting minutes up for approval. We will get caught up on minutes at the next meeting. John Moody has 2 sets of drafts from Christopher Merrill. Michael Hanlon has one set but needs assistance completing, John Moody offered his assistance. John Moody has one set from a

Building Committee meeting that he attended. Marc Sirrico believes that the minutes from the meeting held right before Town Meeting have not been approved.

PUBLIC COMMENT

Lynne Barrett – Town Meeting Warrant opens on July 28th and closes at 4PM on August 8th. Town Meeting is October 18th.

We will start to build the hearing schedule once warrant items are submitted.

Q: Michael Hanlon – Warrant is only open for short time of one week, is that typical?

A: Lynne Barrett – Yes, that is typical.

OLD/NEW/OTHER BUSINESS

Sub-Committees and Liason Opportunities

John Moody said that committee member appointments to subcommittees and other committees usually happens in October or November but that he would like to see that done earlier this year. Usually members serve on one or more subcommittees to review segments of the budget. When we do this earlier it allows us to better prepare and not rush at the last minute. By preparing we can have more engagement with department heads, pose questions regarding historical issues, and have a better understanding going into the hearings.

Michael Hanlon agrees with timeline. He believes that engaging department heads early in process (before Christmas) may help influence their thinking in the process early on.

John Moody mentioned other liason appointments that he would like to decide at the August meeting: Health Insurance Advisory Committee, Precinct Chairs, Affordable Housing, Revenue Idea Taskforce. John Moody is serving on the Revenue Idea Taskforce and he would like one more Advisory & Finance Committee member to serve on the committee as well, to come up with new and creative revenue generating ideas to present to the Board of Selectmen. Committee had 9 people now they are down to 5, think about if you would like to serve on this committee and email or call John Moody if you are interested.

Charles Stevens would like to see a subcommittee and liaison sign up list before the August Meeting.

Shelagh Joyce asked for additional information to be on the list regarding time commitment, frequency of meetings, typical meeting days and times, to help with scheduling decisions.

Communication

New members received an Advisory & Finance Committee reference book, please let Kere Gillette or John Moody know if you have any questions.

All received an A&F Committee member list, please review all of your contact information and contact Kere Gillette with any changes.

Lynne Barrett said that the meeting agenda and items had been emailed and not mailed and asked if that would be an accepted method of distribution for future meeting as well. Kere Gillette could print and mail to those that preferred that method.

Marc Sirrico said that regardless of distribution method make sure you are organized and prepared for caucus meetings. You need to be able to find answers quickly and not answer "I don't know" as your opinion and role is very important in the meetings.

Prefers email: Michael Hourahan , John Moody

Prefers mail: Cornelius Bakker, Richard Gladdys, Ethan Kusmin

Harry Salerno said email is okay except in the case of articles where there is a large amount of paper back up.

Kevin Canty asked if there was cloud storage available. Lynne Barrett said that meeting agendas and packets will be on the website to download, view, and/or print.

For those committee members that would like to receive the agenda and packet by mail, please contact Kere Gillette and she will be sure to mail it to you.

Harry Salerno added that we need to figure out way to separate mail received from meeting packet because he thought the items were added to the meeting packet at the last minute.

ADJOURNMENT

Michael Hanlon moved for adjournment.

Charles Stevens, second. The motion for adjournment carries unanimously.

The meeting adjourned at 9:05PM.

Respectfully submitted,

Kere Gillette