



# Town of Wayland Massachusetts

## Finance Committee

Paul Grasso  
Thomas Greenaway  
David J. Gutschenritter  
Cherry C. Karlson (Chair)  
Sam H. Peper  
Richard M. Stack  
Bill Steinberg

Finance Committee  
Meeting Minutes  
March 28, 2012

Attendance: C. Karlson (Chair), B. Steinberg, T. Greenaway, D. Gutschenritter, P. Grasso, R. Stack, M. DiPietro (Finance Director)

Absent: S. Peper

B. Steinberg, R. Stack, T. Greenaway, D. Gutschenritter, C. Karlson, and P. Grasso attended the Board of Selectmen Warrant Article Hearing prior to the start of the regular Meeting.

The meeting was called to order at 8:52 P.M. in the Senior Center of Town Building.

### 1. Public Comment

- Margot Melnicove asked why so much free cash was being used to finance capital items when, in her opinion, borrowing was the better option. She expressed a desire to see that free cash go towards the operating budget and reducing the real estate taxes.
- Donna Bouchard asked why were the Town's two payments to the Middlesex Retirement account made when they were made, given that had the entire payment been made on or before July 1<sup>st</sup>, the required payment would have been smaller. It was clarified that the full amount of the Town's two payments went into the Town's account, and that there were no additional expenses incurred due to the timing of the payments
- Anette Lewis asked if the unclassified expense information was distributed to the Committee, C Karlson replied that it was distributed on 3/1/2012. She again expressed her desire that the Committee dig into the unclassified line item of the budget.
- Margot Melnicove asked why free cash was being used to fund the DPW Garage analysis and not borrowing.

### 2. ATM 2012 discussion:

C. Karlson opened the discussion on the Annual Town Meeting (ATM). The Committee received an email from four residents asking that the Committee consider the following at our meeting:

- The contribution to the Pension Plan
- The contribution to Other Post-Employment Benefits (OPEB) Trust.
- The funding of the Middle School Roof Repair

- The hiring of the policy/budget analyst position

The Committee first addressed the OPEB question. OPEB is included in line 59 of the proposed FY 2013 Operating Budget within the category Insurance 32B. Mike DiPietro provided background information on OPEB, beginning with a discussion of the accounting guidance to shift from a pay as you go model to an accrual model (comparable to the model in place to fund future pension benefits). In an accrual model, an actuarial study is done to project the future OPEB liabilities. Then a target funding date is determined, which then enables the calculation of the annual contribution that needs to be made to fully fund the OPEB liabilities as they come due. The actuarial analysis is updated every two years and the annual contribution amount is adjusted to incorporate the current information. Wayland began making contributions to the OPEB Trust (the "Trust") in FY 2008.

Several additional points were made. As long as the Town makes at least the minimum required contributions to the plan, the Town is not required to show the liability on the Town's balance sheet. To date, Wayland has met or exceeded that standard. As the Town negotiated savings in its health care expenses, the savings were contributed to the Trust to begin to fund the previously incurred future health care liability for retired employees. The Committee discussed the current funding status of the Trust as well as various alternatives for funding OPEB in FY 2013 given all the information currently available to the Committee. The sense of the Committee at this point of the meeting was to include in the FY 2013 Operating Budget the actuarially determined payment amount to achieved funded status by 2038.

The Committee next discussed the Pension amount included in the FY 2013 Operating Budget. After discussing the various alternatives for funding the Pension plan, the Committee was undecided between contributing the actuarially calculated minimum pension payment or to contribute the minimum amount plus \$1 million dollars. Arguments in favor of contributing the minimum centered on consistency with funding the OPEB Trust, while arguments in favor of contributing the minimum plus the \$1 million centered on the use of one time free cash to reduce a future contractual obligation.

The Committee next discussed the Middle School Roof (the "Roof"). The School Committee only wants to proceed with the replacement of the Roof if the Town is successful in obtaining the 30% reimbursement from the MSBA. The Committee discussed who had the decision authority with regard to the Roof and it was decided that since the Roof is a school roof, the School Committee can decide whether or not to replace it, it is the Finance Committee that decides how to pay for it. The Finance Committee is in favor of replacing the Roof.

The Committee next reviewed new information from the School Committee that approximately \$550,000 from certain school revolving funds will be used in FY 2012 for those expenses, thus allowing the School Committee to give back an additional estimated \$550,000 to the Town.

The Committee next discussed the policy/budget analyst position that is included in the FY 2013 Operating Budget. It was suggested by Town residents that the position be filled by a consultant. The Committee is of the view that it is in the best long term of the Town to fill this position with a full time permanent employee.

The Committee next discussed the overall impact of the items discussed at the meeting and how best to proceed.

A motion was made and seconded to reopen the FY 2013 Operating Budget. The motion passed 6-0.

The Committee next discussed adjustments to be made to the FY 2013 Operating Budget. Discussion centered on the OPEB and Pension contributions.

A motion was made and seconded to reduce the Total General Fund Budget to \$66,949,951 from \$69,285,522 and that Free Cash in the amount of \$3,300,000 and \$420,000 from the Overlay account be included as funding sources for the FY 2013 Budget. The decrease in the Budget reflects the inclusion of only the minimum contributions actuarially required to fund the OPEB trust and the Pension plan in FY 2013. No additional contributions will be made to those two accounts in FY 2013. Motion carried 5-1.

The Committee next discussed whether or not to reopen the FY 2013 Capital Budget to change the funding source of the Middle School Roof. Based on the understanding that a debt exclusion vote would be needed to change the funding source, and that the deadline had passed to pursue a debt exclusion vote, no action was taken.

**3. FinCom FAQ Project discussion:**

The Committee next discussed two FAQ's.

A motion was made and seconded to post the AAA debt rating FAQ as amended on the Town's website. Motion carried 6-0.

A motion was made and seconded to post the Lease versus Buy FAQ on the Town's website. Motion carried 6-0.

**4. Minutes:**

The Committee next reviewed the minutes from 2/13/2012, 2/22/2012, 2/27/2012, 3/1/2012, and 3/5/2012.

A motion was made and seconded to approve the minutes of the 5 meetings. The motion carried 5-0-1 (T. Greenaway abstained).

**5. Chairman's Update:**

The Committee next discussed the logistics and timing of Annual Town Meeting.

**6. FinCom Members' and Finance Director reports and concerns:**

None noted

**7. Adjourn:**

The meeting adjourned at 12:05 am.

Respectfully submitted,

David Gutschenritter

Documents:

Email from Tony Boschetto  
OPEB Workpaper

Dear Cherry, Sam, Richard, Dave, Paul, Bill and Tom,

We are e-mailing to ask for your consideration of the following at your meeting tonight (further details are below and attached).

As you are aware, residents are increasingly aware of the growing tax rates and impact it is having on their personal financial burdens as well as the overall impact on property values in Wayland. We believe these recommendations will properly balance these concerns with the need to support the quality of services we enjoy.

1/ We ask that the Finance Committee please consider recommending an appropriation of \$3,171,056 of the current recommended payment of \$4,621,627, thereby saving Wayland taxpayers **\$1,450,571** million.

2/ We ask that the Finance Committee please consider recommending that no new appropriation be made to the OPEB liability until such time that a publically vetted plan can be determined and this policy can be posted on the Finance Committee website. Elimination of the FY'13 payment will save Wayland taxpayers **\$2,200,000** million.

3/ We ask that the Finance Committee please consider recommending that after the MSBA grant application process is completed, the Middle School roof replacement be funded by borrowing. Additionally, we ask that the **\$1,500,000** million from Free Cash that was slated for this project be instead used to lower our taxes.

4/ We ask that the Finance Committee please consider recommending that an additional \$1.6 million of the savings from eliminating the proposed uses of Free Cash outlined in points 1 and 3 be instead used to reduce taxes, bringing the total amount of Free Cash used to reduce FY'13 taxes to **\$3,800,000** million.

5/ We ask that the Finance Committee please consider recommending that the policy/budget analyst position for **\$65,000** under "Unclassified - Reserve for Salary Adjustment" be hired as a consultant versus a full-time employee until such time that the position can be better defined based on the usefulness of the consultant's services over a period of one year. The consultant, and any other financial services required, can be funded through the Finance Committee's reserve fund.

Please see below and attached should you wish to review the substantiation for these requests. Additionally, please contact us should you have any questions with regard to these recommendations. We thank you for your consideration of these important budget reduction proposals and their tax implications during your deliberations at Wednesday evening's meeting of the Finance Committee.

Respectfully,

Tony Boschetto,

Kent George

Shawn Kinney

Donna Bouchard

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**1/ RETIREMENT: (line item 58 on page 53 of the warrant):**

Since last November's Special Town Meeting, Wayland has continued to generate Free Cash. The Finance Committee is proposing a pension liability prepayment of approximately \$1 million from Free Cash.

There are three important arguments to consider when contemplating this recommendation:

a/ The use of Free Cash surplus money, gained largely through overtaxation, should instead be used to reduce Wayland's extraordinarily high taxes. Special Town Meeting appropriated \$4 million in surplus Free Cash to reduce our tax rate for 2012 to prevent Wayland from becoming the #1 highest taxed

municipality in the Commonwealth. Use of Free Cash, earmarked for a pension liability prepayment, should be used instead to mitigate the tax rate.

b/ Wayland's 'Required Fiscal Year 2013 Appropriation' to Middlesex County Retirement is \$3,171,056. Please note page 3 of the source document found at:

<http://www.mass.gov/perac/middlesex/middlesexapprop13.pdf>

On page 53 of the warrant, under "Retirement - Purchase of Services" the budget request for this line item is \$4,621,627. A \$1 million prepayment would result in a payment of \$4,171,056. An additional \$450,571 was added to this line item without explanation.

The Town of Weston's payment, also found on page 3 of the link to the source document above, shows that their required fiscal year 2013 appropriation to Middlesex County Retirement is \$3,648,098. Please note page 5 of their budget document, under Contributory Retirement-Middlesex:

[http://weston.govoffice.com/vertical/sites/%7B264E11B6-4A4A-4EC0-B631-35FE907B479E%7D/uploads/FY13\\_Unclassified.pdf](http://weston.govoffice.com/vertical/sites/%7B264E11B6-4A4A-4EC0-B631-35FE907B479E%7D/uploads/FY13_Unclassified.pdf)

The Town of Weston does not recommend a \$1 million pension prepayment from Free Cash. Additionally, the number in their warrant matches the required payment listed in the source document provided (to the dollar).

Additionally, please note the attached file "G-F FY'11 Details" (page 216 of the attachment) for the payment of \$3,140,204 to Middlesex Retirement on July 19<sup>th</sup>, 2010. The actual cost was \$3,078,582 if the payment was paid in full on July 1. Paying 18 days late resulted in having to pay an extra \$61,622. Please note, The Town of Weston budget document recommends appropriating only the amount payable on July 1<sup>st</sup>. The \$61,622 late fee is the equivalent of more than 50% of the entire annual budget of the Planning Department; it's not a trivial amount of money to waste.

c/ The current pension obligation is calculated based upon the most recent audit (actuarial analysis) as of 1/1/2010. The Town is currently in the process of completing a new audit and actuarial analysis. The Town does not have written policies or procedures to track and manage the balance in this unfunded liability and sufficient analysis has not been done to substantiate this prepayment.

It is more prudent to utilize Free Cash to reduce current year tax obligations rather than fund additional payments until the new actuarial analysis report is properly analyzed and subsequent written policies

are completed. In addition, accelerating the funding of this payment by using the surplus Free Cash that was generated by excess taxes paid in the current year puts an undue burden on current taxpayers and payment of this liability should be borne over a longer period of time.

We ask that the Finance Committee please consider recommending an appropriation of \$3,171,056 of the current recommended payment of \$4,621,627, thereby saving Wayland taxpayers **\$1,450,571**. Thank you for your consideration.

**2/ UNCLASSIFIED - INSURANCE 32B: (line item 59 on page 53 of the warrant):**

It's important to note that the State has not mandated that communities begin payments toward the OPEB liability, mainly because most municipalities are far too cash-strapped to provide for these extra benefits in their annual budgets.

The "Report of the Finance Committee" in the 2011 warrant states:

**The State has not mandated that communities begin payments toward OPEB; however, as part of our financial management plan, the Town has been making payments of approximately \$1 million per year since FY2009** (emphasis added)

The "Report of the Finance Committee" in the 2012 warrant states:

**The State has not mandated that communities begin payments toward OPEB; however, as part of our financial management plan, the Town has been making payments annually since FY2008** (emphasis added)

Based on the information in the 2011 ATM warrant, the OPEB trust fund should contain a balance of approximately \$4 million. However, Wayland's Finance Director stated that at the end of January 2012 the balance in this trust fund was \$9.8 million! The Finance Committee is recommending that taxpayers contribute an additional \$2.2 million to the OPEB trust fund, bringing the total balance in the fund to \$12 million less than five years.

Additionally, the \$2.2 million payment was included under line item 59, subtitle "Insurance 32B", on page 53 of the 2012 Annual Town Meeting Warrant. Please note Page 4 of 33 in Word count (page 25 of the document)... Article 7, from the Town of Weston warrant:

<http://weston.govoffice.com/vertical/sites/%7B264E11B6-4A4A-4EC0-B631-35FE907B479E%7D/uploads/%7BCDD4C6B6-57B2-40DB-81DE-25614BFC31F1%7D.PDF>

Article 7, "**Appropriate to Other Post Employment Benefits (OPEB) Trust Fund**" provides for the financial transparency we are seeking in Wayland. We hope you will consider this as part of your OPEB discussion with the rest of the Finance Committee on Wednesday night.

\$9.8 million was already contributed to this irrevocable trust and no written policies from the Finance Committee exist regarding this liability to understand the contribution plan to our knowledge (other than the quote "approximately \$1 million per year since FY'2009" from the 2011 Annual Town Meeting warrant). We ask that the Finance Committee please consider recommending that no new appropriation be made to the OPEB liability until such time that a publically vetted plan can be determined and this policy can be posted on the Finance Committee website. Elimination of the FY'13 payment will save Wayland taxpayers **\$2,200,000**. Thank you for your consideration.

### **3/ MIDDLE SCHOOL ROOF REPAIRS (capital item 19 on page 66 of the warrant):**

The Finance Committee is proposing that town meeting appropriate \$1.5 million from Free Cash to replace the Middle School roof. The project is estimated to extend the life of the roof for another 15 to 20 years. As you know, a recent application filed with the Massachusetts School Building Authority (MSBA) for a competitive grant could cover up to 30% of this cost.

On page 13 of the Warrant, the Finance Committee states that "Borrowing monies is prudent because it spreads the cost of buying the asset (debt service) over its useful life and interest rates are at record lows." But instead of recommending the use of borrowed funds, the Finance Committee proposes to fund this project with Free Cash.

Further, the \$1.5 million estimated amount was not determined based upon competitive bidding and may be inaccurate. The actual amount that would be borrowed and funded by taxpayers after going through the MSBA's due diligence process could be significantly less than this amount. We ask that the Finance Committee please consider recommending that after the MSBA grant application process is completed, the Middle School roof replacement be funded by borrowing. Additionally, we ask that the \$1.5 million from Free Cash that was slated for this project be instead used to lower our taxes.



#### **4/ FREE CASH:**

At Special Town Meeting last fall, the petitioners projected an appropriation of \$3.8 million from Free cash to reduce taxes in 2013. The Finance Committee has recommended balancing the operating budget using \$3.2 million from Free Cash however \$1 million of this \$3.2 million is recommended for use as a pension "prepayment". Only \$2.2 million will be used to reduce taxes.

We do not support the Finance Committee's recommendation to fund a \$1 million pension prepayment with Free Cash. Additionally, we do not support the Finance Committee's recommendation to fund a \$1.5 million repair of the Middle School roof with Free Cash, as borrowing is the appropriate method to pay for the cost over the useful life of the project. We therefore ask that the Finance Committee please consider recommending that an additional \$1.6 million of the savings from eliminating these proposed uses of Free Cash be used instead to reduce taxes, bringing the total amount of Free Cash used to reduce FY'13 taxes to \$3.8 million. Thank you for your consideration.

#### **5/ UNCLASSIFIED - RESERVE FOR SALARY ADJUSTMENT (line item 59 on page 53 of the warrant):**

The Reserve for Salary Adjustment line item carries \$65,000 for a proposed position for a policy/budget analyst to assist both the Town and School operations/financial staffs. This is proposed to be a non-union position, and it reflects the resources necessary to meet the desire by residents for more and better financial information and the increasing number and complexity of public record requests for information and documentation by many residents.

As this position is not yet clearly defined, we ask that the Finance Committee please consider working with and monitoring the usefulness of a budget analyst consultant who specializes in municipal finance throughout the fiscal year 2013. The Finance Committee could fund all such financial consultant services required through their reserve fund and then determine which services were most effective in meeting the needs of both the Finance Committee and residents who seek better financial information before defining the qualifications required for a permanent position that could be funded in FY'14. Thank you for your consideration.

In summary:

-Reduce "Retirement" - **\$1,450,571.**

-Eliminate "Unclassified - Insurance 32B" - **\$2,200,000.**

-Replace "Middle School Roof Repairs" with borrowing - **\$1,500,000. (amount T.B.A. pending MSBA grant application process)**

-"Schools" (revolving account savings) - **\$545,946.**

-Eliminate "Unclassified - Reserve for salary Adjustment" - **\$65,000.**

**Total budget savings: \$5,761,517.**

**Free Cash to reduce taxes - \$3,800,000.**

OPEB Workpaper  
DRAFT FOR DISCUSSION ONLY

March 28, 2012

*All numbers in thousands*

	FY 2008			FY 2009			FY 2010			FY 2011		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
A Insurance 32B	5,760	5,608	(152)	6,575	6,106	(469)	7,145	6,796	(349)	7,466	7,348	(118)
B Insurance 32B Ex OPEB Budget	5,760			3,554			4,006			3,906		
C Insurance 32B Ex OPEB Actual		4,858		3,072			2,801			2,112		
D Insurance 32B Ex OPEB Variance			(902)			(482)			(1,205)			(1,794)
<b>OPEB</b>												
E Annual Required Contribution (ARC)	-			3,021			3,139			3,560		
F Actual Contribution		750		3,034			3,994			5,236		
G Actual Contribution Less ARC			750			13		856				1,676
H Additional Funding				1,110	1,110	-	1,021	1,860	839	3,150	3,150	-
<b>Cumulative Variances</b>												
J Insurance 32B Turnbacks			152			621			970			1,088
K Insurance 32B Ex OPEB			(902)			(1,384)			(2,589)			(4,383)
L OPEB Obligation (Actuarial Value)	-		750			763			1,619			3,295
M Net Assets in OPEB Trust		750			1,860			3,721			6,871	

**Notes:**

Row A data (excluding variance, which is calculated) taken from Annual Town Meeting Warrants, 2009-2012

Row B data calculation: A-F

Row C & G (Variances) are calculations

Row E data taken from "Other Post-Employment Benefits" note to Financial Statements for FY2010 and FY2011

Note immaterial variance between FY2009 ARC in FY2010 and FY2011 financial statements.

Row F data for FY2008 per Finance Director. Row F data for FY2009-FY2011 from 12/31/10 Segal Group Actuarial Study.

Row G is calculated

Row H "Budget" data from Segal Group Actuarial Studies as of 12/31/08 & 12/31/10, Section 2, Funding Schedule. Row H "Actual" data from Finance Director

Rows J-L are calculations. The sign is reversed on row J to show how the three components net to zero

Row M does not include investment income

Difference between FY2011 OPEB cumulative total shown above, \$3,295,713, and OPEB Asset per FY2011 Financial Statements, \$3,294,846, is immaterial

FY 2012 Additional Funding recommendation was \$1,363,234; Actual Additional Funding was \$2,800,000