



Town of Wayland Massachusetts

OPEB Advisory Committee

Kent George
David Gutschenritter
Cliff Lewis (Chair)
Maryanne Peabody
Jay Sherry

Minutes of February 20 2014 Committee Meeting (As Approved March 5 2014)

In Attendance were: Kent George, David Gutschenritter (for first hour of the meeting), Cliff Lewis, Maryanne Peabody, Jay Sherry

This meeting was recorded and is currently available on WayCAM On Demand at:
<http://waycamtv.pegcentral.com/player.php?video=c1eb815c8f33152768a79f2c87a05243>

The meeting was called to order at 7:28 pm by Chair Cliff Lewis in the Selectmen’s Meeting Room of the Wayland Town Building. The following Agenda topics were addressed:

1. Schedule for Public Information Session March 11 2014

The Committee agreed to hold this session from 7:30 – 9:00 PM on Tuesday March 11 2014 in the Large Hearing Room of the Wayland Town Building. Maryanne Peabody will be unable to attend that evening.

2. Discussion of OPEB Committee’s Warrant Article for the April 2014 Annual Town Meeting

Dave distributed his latest draft of the OPEB Warrant Article, version 3 for discussion with revised numbers to adjust for the approximately \$98K OPEB contribution in FY2014 made by certain of the Enterprise & Revolving Funds. Thus the remaining parity transfers needed from the Enterprise & Revolving Funds will be approximately \$1.1 million, in the form of transfers back to the general fund, or free cash.

Most of the Committee discussion centered on the “parity transfer” amounts in paragraph a of the Warrant Article, as the School Committee is in support of paragraph b for the FY2015 contribution to the OPEB Investment Account. Paragraph a now reads as follows:

a) authorize the transfer of \$699,833.00 from the following enterprise and revolving funds to the general fund:

| | | |
|--------------------------|----|---------|
| 1) Food Service | \$ | 25,000 |
| 2) BASE | \$ | 282,437 |
| 3) Children’s Way | \$ | 130,000 |
| 4) Full Day Kindergarten | \$ | 45,308 |
| 5) Water | \$ | 141,183 |
| 6) Transfer Station | \$ | 15,181 |
| 7) Recreation | \$ | 60,724 |

This will leave approximately \$400K of parity transfers in future fiscal years from Food Service and Children's Way.

Dave & Cliff recounted a 2/14/14 meeting that they had with Barbara Fletcher, Chair of the School Committee and Dr. Paul Stein, School Superintendent and Geoff MacDonald, School Business Manager. At this meeting the parties agreed that BASE and Full Day Kindergarten could make their parity transfers in full. The Food Service Revolving Fund would make its parity transfer of \$25K per year toward OPEB for approximately 12 years toward its \$300K OPEB obligation to achieve parity with the per capita contributions made by other departments in town. Dave indicated that Food Service's constraint is the market, or how quickly Food Service can raise menu prices. Dave recounted that Geoff MacDonald indicated that a 5 cent increase in per meal prices translates into an additional \$10,000 per year.

Similarly, Children's Way would make an immediate \$130K transfer toward their total parity amount of \$300K. The remaining \$170K will be transferred at \$25K per year for approximately 7 additional fiscal years.

Jay asked Cliff that this agreement on Food Service and Children's Way be memorialized in a memorandum of understanding between the OPEB Committee, the School Committee and the Finance Committee, given that it will be used in budget planning for the next twelve years.

Dave then recounted a subsequent 2/20/14 morning meeting that he and Cliff had with Brian Keveny, Town Finance Director, and Geoff MacDonald. Geoff revealed that there was new expense information discovered in the intervening six days that meant that the 2/14/14 agreement needed further downward revision because of lack of funds. Geoff now believes that Food Service is unable to make any parity transfer whatsoever.

The OPEB Committee expressed great surprise and frustration with this news. To the best of Cliff's knowledge, the reason seems to be the double payment of fringe benefits in FY2014 that will reduced the fund balance to a very low level. Cliff's expressed the view that these two particular Funds may no longer be financially viable. Cliff suggested that we allow the printing of the Warrant article's amounts as written while the OPEB Committee continues the discussion & negotiation with the School Committee on Monday 2/24/14.

The Committee then provided Dave with detailed feedback on the remaining text of the Warrant Article, as well as the Finance Committee Comments that follow the Article. Jay agreed to provide further detailed feedback offline to Dave to improve language and structure. The Committee also agreed to take two highlighted paragraphs out of the Finance Committee Comments section and move them to the OPEB Committee Report in the Warrant's Appendix.

Maryanne made the motion that the OPEB Committee vote to recommend to the Finance Committee that FinCom recommend to Town Meeting the Warrant Article as drafted by Dave and amended by the Committee, with the amounts not to exceed \$25,000 for Food Service and \$130,000 for Children's Way as shown in paragraph a of Dave's current draft. The motion was seconded by Cliff, and approved 5 – 0 by the Committee.

Maryanne then moved that the OPEB Committee authorize Dave and/or Cliff to negotiate an alternative viable payment schedule on Food Service and Children's Way with the School Committee, in light of the new information the OPEB Committee learned tonight about lack of funds. Seconded by Cliff, and approved 5 – 0 by the Committee.

Dave Gutschenritter departed from the meeting at 8:31 PM.

3. Public Comment

(WayCAM video on this topic starts at 1:10:25)

Cliff recognized Malcolm Astley of the School Committee for public comment. Malcolm shared the Committee's concern about the \$155K error in the revolving funds. Malcolm said that the Business Office of the School Department is not manned the way it should be, and perhaps the vacation week contributed to the complication. Malcolm acknowledged that the OPEB Committee is in a bind in trying to make this OPEB problem work out right in a relatively short time frame. Malcolm said that the School Committee is now being strongly encouraged to try to keep their budgets tight, and also not allow balances in revolving funds to accumulate. Tight budgets and low balances can contribute to the negative impact of errors like the \$155K, according to Malcolm, and that there are many other examples of strong financial management by the Business Office.

Beth Butler of the School Committee said that she shared the OPEB Committee's surprise at learning the news about the \$155K error and looks forward to hearing more about it at the Monday 2/24/14 School Committee meeting.

4. Discussion of the Committee Report in the Warrant Appendix

(WayCAM video on this topic starts at 1:21:45)

The Committee went through the Committee Report and made detailed edits. Among the comments:

- MaryAnne agreed to work offline with Jay on the precise text for the "Additional OPEB Cost Reductions" paragraph.
- Kent commented that we should emphasize that achieving the 7% investment return target is important to meeting our overall goals, which he preferred to the language about "making the math work".
- Maryanne thought it important to emphasize that we are not making an irrevocable decision on our OPEB funding with this Warrant Article, and that the actuarial projection will be revised at least 13 more times by 2038, allowing the Town of Wayland to make midcourse corrections on funding levels.
- Cliff wanted to emphasize that OPEB requires ongoing long-term management and attention in future years

Cliff moved that the Committee approve the Committee Report as amended, and that the Committee authorize Jay and Cliff to make some final amendments for readability and comprehension before submitting it for printing. Seconded by Kent, and approved 4 – 0 by the Committee members present.

5. Discussion of possible trust fund attorneys, with pros and cons of trust agreement

(WayCAM video on this topic starts at 2:20:00)

Jay summarized his discussions with several attorneys experienced in municipal law and employee benefits law. Several attorneys had Statehouse experience and seemed relatively knowledgeable.

Among their comments to Jay:

- The expense for establishing the trust agreement itself could be quite modest, less than \$2500 depending on the attorney chosen. Standardized trust agreement templates exist that could keep the cost down. There was a wide variation in the prices quoted, up to \$16,000.
- Several attorneys expressed surprise that Wayland doesn't have a trust agreement already in place. One attorney acknowledged that perhaps Wayland's special statute means we effectively have a "constructive trust" that would be deemed legally equivalent.
- One attorney said that among the first questions Wayland's OPEB Committee will face in the first of the triennial audits by the Public Employee Retirement Administration Commission (PERAC) is "where is your Trust Agreement?"

- Another attorney indicated that a properly crafted trust agreement would preserve all the investment flexibility Wayland now enjoys via what he called a “Directed Trustee”
- One attorney suggested that Wayland might reduce or eliminate the annual trust administration fees through negotiating that they be made part of the ongoing investment management fee structure established with Bartholomew & Company and Rockland Trust Company, if Wayland were comfortable in having the two firms act in both capacities.
- Another attorney suggested that his fees to examine Wayland’s special statute, compare it to the state statute in chapter 32B section 20, and determine whether Wayland could legally avoid a trust agreement would exceed the cost of drafting the trust agreement.

Kent agreed to contact a friend of his who formerly worked for PERAC to better understand their triennial audit process.

Jay said that he doesn’t yet have a firm handle on either the annual trust administration fees that might be charged by Bartholomew, Rockland or another trustee, nor does he know the auditing costs, should Wayland need to pay for regularly scheduled separate audits of the potential trust. Jay noted that the Melanson Heath & Company’s “Independent Auditors’ Report” on Wayland’s financials indicate that the OPEB figures, including the Required Supplementary Information on OPEB, are unaudited by Melanson Heath.

Cliff posed the question of “should we abrogate our special statute, and start to use the standard statute of the Commonwealth regarding OPEB Trust Funds?” so that the legal ground rules are clearer.

The Committee agreed to defer further consideration of the formal Trust Agreement issues until mid-April, after Town Meeting.

The Committee voted 4-0 to adjourn the meeting at 10:00 PM.

Respectfully submitted,

Jay Sherry