

Town of Lunenburg



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Finance Committee:
Mark Erickson, Chairman
Terri Burchfield, Vice-Chairman
John Henshaw, Secretary
Karin Menard
Jay Simeone

Lunenburg Finance Committee
Minutes May 26, 2016

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JUN 13 2016

LUNENBURG TOWN
CLERK OFFICE

Location: Town Hall
Present: Mark Erickson, Terri Burchfield, Jay Simeone, John Henshaw
Absent: None
Also Present: Kerry Lafleur

1. Mark called the Finance Committee meeting to order at 7:00 pm.
2. Comments:
 - a. Public: None
 - b. New Communications:
 - Karin Menard sent Mark a letter of resignation because she has been elected to the Parks Commission. It's a conflict of interest to serve on the Finance Committee at the same time serve the Town in another board or commission. The committee's four members just make a quorum.
 - Kerry said there is one person who filled out a Talent Bank form and showed interest in the Fin Com.
3. Town Meeting and Election Results:
 - a. The Pavement Management Plan debt exclusion override passed by a vote of 181 to 127.
 - Kerry said the Town would put together a schedule showing the new spending on the local roads to be worked on and when the work would be done over the four-year period.
 - Jay asked if the Town was soliciting bids for materials for repair and re-surface work and Kerry said the full bid packet for asphalt is on the first page of the Town's web site.Note that complete election results are attached to these minutes.
4. FY16 Salary Reserve Transfer Requests:
 - a. This request is for the Finance Committee to approve transfers to meet the Town's compensation requirements. In summary:
 - The reserve fund started FY16 with a \$45,000 balance; The Town transferred \$9,280.26 in to the salary reserve fund as required expenditures became clearer subsequent to the FY16 plan.
 - FY16 transfers fall into these broad categories:
 - Retirement buybacks to cover a percentage of unused sick time at the time of retirement. Kerry is exploring the Town buying back some un-used sick days as a way to lower long term legacy costs.
 - Salary increases because of a promotion, or because the current salaries were low relative to salary levels of comparable positions in surrounding towns.
 - Salary, overtime, longevity, and stipend pay from FY15 as a result of a new contract that was agreed on after FY15.
 - Mark observed that, net after these transfers, there would be roughly \$2,800 remaining in the account, which would—if it remained unspent—ultimately become free cash.
 - For more specific information on the transfer requests, please see the attached Salary Reserve Transfer Requests sheet.
 - Kerry provided some background on the rationale for the transfer requests.
 - As background, the reserve fund in the FY17 budget totals \$50,000. The FY17 salary reserve fund totals \$93,996. Kerry stated that the salary reserve fund includes money to cover costs of

the DPW contract (which has not been signed) for FY16 & FY17, for the firefighters for FY17, the chief for FY17, and for the patrol officers in FY17 as well. It also includes reserves to cover the costs of the one significant unused sick leave buy-back, that Kerry is aware of.

- b. John made a motion to approve the reserve transfer request. Terri seconded the motion. The committee voted 4-0 in favor of the motion. Mark circulated the FY16 Salary Reserve Transfer Request which each member of the committee signed.
5. Town Manager Report: On Town Health Insurance Plans for employees and retirees.
- a. Kerry handed out to all members a packet showing enrollment in the several health insurance plans the Town offers current employees and retirees. This packet is a series of spreadsheet tables showing the enrollment census, cost of plan and employee share, total cost by plan, and cost comparisons. It's attached to these minutes.
 - There has been an increase of 31 retirees in the last three years, and we have not had nearly that many people retire. Kerry said that the reason may be a decrease in the MEDEX premium encouraging some retirees to enroll in the Town's health insurance plan. The increase in the number of people on the plan increases the Town's health care premium costs
 - The "Cadillac Tax" would tax both PPO plans at a 40% rate for any amount over the threshold cost of more than \$10,200 for an individual plan or \$27,500 for a family plan. Nineteen employees or retirees are enrolled in the PPO plans. Kerry doesn't want the Town subjected to this tax. There is a chance that the Cadillac Tax may never go into effect—the effective date has been pushed out from FY17 to FY18 and it is now FY20.
Further, any "Cafeteria benefits option"—which allows any Town employee to have up to \$2,500 withheld from their paycheck on a pre-tax basis and used for health care expenditures. Although the Town does not match any part of the \$2,500, that amount is added to the value of the plan, and thus would be subject to the Cadillac tax in PPO plans.
 - The Town reimburses 75% of the Medicare part B premium for retiree and retiree spouses, which adds to the Town's costs. Whether the Town is obligated to subsidize spouses' premiums is unclear, but the Town has been subsidizing the spouse's premium. This is an area Kerry would like to work on in the next PEC agreement.
 - b. There are two ways the Town can explore to lower health insurance costs:
 - Increase the enrollee share of health insurance premiums. If the Town/Employee split went from 75%-25% to 70%-30%, the Town would save about \$285,000.
 - Change the plan design. Over time the Town has increased co-pays and added co-pays for more services. Those plan changes resulted in modest cost savings. An alternative Kerry described is a benchmark plan. Benchmark plans which have significantly higher out of pocket expenses. Adopting a benchmark plan but remaining at a 75%-25% split would result in about \$100,000 savings.
6. Review of minutes:
- a. Minutes of the March 31, 2016 meeting: Jay moved to accept the minutes; Terri seconded the motion, and the motion was approved by a 4-0 vote.
 - b. Minutes of the April 28, 2016 meeting: Terri moved to accept the minutes; Jay seconded the motion, and the motion was approved by a 4-0 vote.
 - c. Minutes of the May 12, 2016 meeting: Terri moved to accept the minutes; Jay seconded the motion, and the motion was approved 3-0. Mark abstained from voting as he had not attended this meeting.
7. Budget Goals and Opportunities: Debt Service section of the Town's Financial Policies
- a. The issue is that a bond rating agency determined that the amount of excluded debt the Town has taken on to finance the Town's share to construct the new Junior-Senior High School put the Town in violation of the Town's debt service policy.
 - The sense of the committee was that this determination was based on a misunderstanding of the scope of the debt service policy; that the policy concerned regular debt, but did not cover excluded debt.
 - b. Mark stated that the revised debt policy needs to be more transparent and easier to understand so the rating agencies would be less likely to misconstrue the policies. John offered that the new policy should cover both excluded and regular debt.

- c. In addition, John said when setting an upper limit on the level of debt the Town could incur we needed to anticipate future debt levels—for example, all large capital improvement projects, repairs to Turkey Hill School, Storm Water Projects, and renovation of Turkey Hill School.
- Mark advised him to include all projects on the horizon in a model along with user-changeable variables like annual cost inflation, rates of interest, term of loans.
 - Regarding cost inflation, Jay and Mark were skeptical of the five percent annual inflation on fire vehicles that Chief Sullivan had included in his spreadsheet. The model needs to let people look at potential cost inflation at different rates.

8. Committee and Department Updates:

<u>Committee/Department</u>	<u>Update</u>
Public Access Cable—John H.	PACC will meet on Monday, June 6 th .
Capital Planning—John H.	The goal is to develop a more comprehensive and detailed capital plan in place.
Dept. of Public Works—John H.	No report.
Library—Terri B.	Terri briefly reviewed that the library was broadening the items they were lending to things other than books, video and music recordings. "A library of things" is the term that broadly covers this.
Public Safety—Terri B.	No Report.
Schools, Monty Tech, COA—Karin M.	No Report.
Green Task Force—Jay S.	No Report.
Sewer Commission Task Force—Jay S.	No Report.
School Bldg. Comm., Building Re-use—Mark E.	Mark was not able to attend the School Building Committee, but he heard from Superintendent Calmes that the new school building has been granted a certificate of occupancy. However, work on phase 2—asbestos removal and razing the old high school and constructing athletic fields, and a lot of site work. There is now roughly \$3,000,000 in contingency. Unspent contingency funds—net of MSBA deduction—will be applied against the balance the Town owes on this construction project.

9. Next meeting: Thursday, June 9th at 7:00 PM at the Town Hall.
10. Mark announced that he had retired recently. Part of Mark's retirement is to go South for the winter. Ultimately he wants to spend January and February in warmer climes. He has no immediate plans to resign from the committee. He will also will do everything he can to help in the transition plan.
11. Adjournment: Terri made a motion to adjourn and Jay seconded the motion. The committee approved the motion 4-0 at 9:09.

Respectfully submitted by John Henshaw June 8, 2016

Attachments (3):

- Annual Town Election Results—May 21, 2016
- Salary Reserve Transfer Fund Request
- Overview of the Town's Health Care Plans

FY16 SALARY RESERVE TRANSFER REQUEST

Approved Date	Effective Date	Org/Object	Employee	Account Name	Reason	Retirement Buybacks	Contract Adjustments	Balance
5/2/2015	5/2/2015	11332-578000	Original Appropriation	Salary Reserve		\$ 25,181.09	\$ 19,818.91	\$45,000.00
7/2/2015	7/2/2015	11332-517000	Karen Kemp	Salary Reserve-Retirement Buybacks	Retirement	(19,460.88)		\$25,539.02
10/8/2015	10/8/2015	11332-517000	Gregory Bingham	Salary Reserve-Retirement Buybacks	Retirement	(5,720.11)		\$19,818.91
12/31/2015	12/31/2015	11332-517000	Janice Carnier	Salary Reserve-Retirement Buybacks	Retirement	(5,719.74)		\$14,099.17
5/7/2016				ATM Transfer-FY15 Firefighters Contract		5,719.74		\$29,099.17
5/7/2016	7/1/2015	12201-511000	Patrick Sullivan	Fire Department-Chief's Salary	New Contract		9,280.26	\$25,487.85
5/26/2016	10/14/2015	11351-511000	Karen Brochu	Accountant/Finance Director Salary	Added Finance Director Position		(3,611.32)	\$21,887.85
5/26/2016	10/14/2015	11351-514002	Karen Brochu	Accountant/Finance Director Longevity	Added Finance Director Position		(1,314.00)	\$20,573.85
5/26/2016	7/1/2015	11551-511000	Stephen Malandinos	IT Director's Salary	New Contract		(278.00)	\$20,295.85
5/26/2016	7/1/2015	12101-511000	James Marino	Police Department-Chief's Salary	New Contract		(3,093.00)	\$17,202.85
5/26/2016	7/1/2015	12101-514002	James Marino	Police Department-Longevity	New Contract		(5,308.00)	\$11,894.85
5/26/2016	7/1/2015	12101-519002	James Marino	Police Department-Educational Incentive	New Contract		(266.00)	\$11,628.85
5/26/2016	7/1/2015	12201-511007	Various	Fire Department-Daymen Salaries	New Contract		(6,288.33)	\$ 4,719.52
5/26/2016	7/1/2015	12201-513000	Various	Fire Department-Daymen Overtime	New Contract		(701.76)	\$ 4,017.76
5/26/2016	7/1/2015	12201-514002	Various	Fire Department-Daymen Longevity	New Contract		(180.68)	\$ 3,837.08
5/26/2016	7/1/2015	12201-519004	Kenneth Jones	Fire Department-EMT Stipend	New Contract		(1,000.00)	\$ 2,837.08

At the Finance Committee Meeting of _____ the Committee voted to approve the above Salary Reserve Transfer requests.

ANNUAL TOWN ELECTION
 Saturday, May 21, 2016
 OFFICIAL BALLOT RESULTS

PRECINCT	A	B	C	D	TOTAL
SELECTMAN					
ROBERT J. EBERSOLE	80	43	58	73	254
JAMES E. TOALE	84	51	63	85	283
Lance May	1				1
Dan Proctor	1				1
Greg Bittner		1			1
BLANKS	44	53	35	54	186
TOTAL	210	148	156	212	726
SEWER COMMISSIONER - 3yrs					
JOHN REYNOLDS	82	52	65	88	287
CARL A. LUCK	71	38	53	69	231
Mary Trudeau	1				1
BLANKS	56	58	38	55	207
TOTAL	210	148	156	212	726
SEWER COMMISSIONER - 2 yrs					
Wendy Mungove	2				2
all others	3			2	5
BLANKS	100	74	78	104	356
TOTAL	105	74	78	106	363
SEWER COMMISSIONER - 1 yr					
Mary Trudeau	1				1
Joseph Anderson		1			1
BLANKS	104	73	78	106	361
TOTAL	105	74	78	106	363
BOARD OF HEALTH MEMBER					
JAMES J. AUGÉ	75	52	60	74	261
BLANKS	30	22	18	32	102
TOTAL	105	74	78	106	363

ANNUAL TOWN ELECTION
 Saturday, May 21, 2016
 OFFICIAL BALLOT RESULTS

PRECINCT	A	B	C	D	TOTAL
ASSESSOR					
Rena Swezey	10	8	5	13	36
All Others	1	3			4
BLANKS	94	63	73	93	323
TOTAL	105	74	78	106	363
TOWN CLERK					
KATHRYN M. HERRICK	88	62	71	87	308
Troy Daniels	1				1
BLANKS	16	12	7	19	54
TOTAL	105	74	78	106	363
CONSTABLE					
JOHN E. BAKER	80	53	60	85	278
BLANKS	25	21	18	21	85
TOTAL	105	74	78	106	363
SCHOOL COMMITTEE MEMBER					
MEREDITH A. WEISS	78	47	53	76	254
DAWNMARIE AYLES	77	48	54	80	259
Greg Berthiaume		1			1
BLANKS	55	52	49	56	212
TOTAL	210	148	156	212	726

ANNUAL TOWN ELECTION
 Saturday, May 21, 2016
 OFFICIAL BALLOT RESULTS

PRECINCT	A	B	C	D	TOTAL
PARK COMMISSIONER - 3 yrs					
Dennis Mannone	6			11	17
Peter McCauliff	5	4		7	16
BLANKS	94	70	78	88	330
TOTAL	105	74	78	106	363
PARK COMMISSIONER - 2 yrs					
KARIN MENARD	76	49	64	73	262
All Others		1		2	3
BLANKS	29	24	14	31	98
TOTAL	105	74	78	106	363
COMMISSIONER OF TRUST FUNDS					
Jane Denike	1				1
Robert Herrick	1	1		1	3
Joanna Bilotta-Simeone				1	1
BLANKS	103	73	78	104	358
TOTAL	105	74	78	106	363
CEMETERY COMMISSIONER					
LANCE D. MAY	77	56	62	79	274
Stan Barney	1				1
Brian Kelly	1				1
BLANKS	26	18	16	27	87
TOTAL	105	74	78	106	363
LIBRARY TRUSTEE - 3 yrs					
DONNA R. SALLA	77	49	63	80	269
RICHARD N. MAILLOUX	74	48	60	79	261
BLANKS	59	51	33	53	196
TOTAL	210	148	156	212	726

ANNUAL TOWN ELECTION
 Saturday, May 21, 2016
 OFFICIAL BALLOT RESULTS

PRECINCT	A	B	C	D	TOTAL
LIBRARY TRUSTEE - 2 yrs					
KIIRJA PANANEN	76	50	62	80	268
BLANKS	29	24	16	26	95
TOTAL	105	74	78	106	363
PLANNING BOARD MEMBER					
DAVID PROKOWIEW	76	51	59	77	263
BLANKS	29	23	19	29	100
TOTAL	105	74	78	106	363
HOUSING AUTHORITY MEMBER					
LINDA M. MCDONALD	76	53	59	86	274
BLANKS	29	21	19	20	89
TOTAL	105	74	78	106	363
DEBT EXCLUSION					
<i>QUESTION 1 - Pavement Management Plan</i>					
YES	58	27	34	62	181
NO	28	36	32	31	127
BLANKS	19	11	12	13	55
TOTAL	105	74	78	106	363

Notes:

Renewal Dates:

July 1 = HMO Blue; BCEP Alt (PPO)

January 1 = Managed Blue for Seniors; MedEx; Medicare Part B

Enrollment Census:

	Municipal	School	Retiree
HMO Blue, Individual	15	48	24
HMO Blue, Family	28	115	15
PPO, Individual	1	1	6
PPO, Family	3	6	2
Managed Blue for Sr.	0	0	149
MedEx	0	0	28
total:	47	170	224
Medicare Part B	0	0	176

	Full Cost of Plan	Employer Share (75%)
HMO Blue, Individual	\$ 8,844.84	\$ 6,633.63
HMO Blue, Family	\$ 23,261.76	\$ 17,446.32
PPO, Individual	\$ 10,840.08	\$ 8,130.06
PPO, Family	\$ 28,509.00	\$ 21,381.75
Managed Blue for Sr.	\$ 3,296.40	\$ 2,472.30
MedEx	\$ 3,692.76	\$ 2,769.57
Medicare Part B	1370.28	\$ 1,027.71

Total Cost, by Employee Group- Current Plan Offerings

	Municipal	School	Retiree
HMO Blue, Individual	\$ 99,504.45	\$ 318,414.24	\$ 159,207.12
HMO Blue, Family	\$ 488,496.96	\$ 2,006,326.80	\$ 261,694.80
PPO, Individual	\$ 8,130.06	\$ 8,130.06	\$ 48,780.36
PPO, Family	\$ 64,145.25	\$ 128,290.50	\$ 42,763.50
Managed Blue for Sr.	0	0	\$ 368,372.70
MedEx	0	0	\$ 77,547.96
	\$ 660,276.72	\$ 2,461,161.60	# \$ 958,366.44
Part B, Retiree			\$ 124,601.40
Part B, Spouse			\$ 69,060.60
Total:	\$ 660,276.72	\$ 2,461,161.60	# \$ 1,152,028.44

Cost Comparison using May 1, 2016 Enrollment			
	Current Offerings		MIIA Benchmark
	75/25	70/30	75/25
Municipal, HMO Individual	\$ 99,504.45	\$ 92,870.82	\$ 96,796.35
Municipal, HMO Family	\$ 488,496.96	\$ 455,930.50	\$ 475,201.44
Municipal, PPO Individual	\$ 8,130.06	\$ 7,588.06	\$ 7,885.08
Municipal, PPO Family	\$ 64,145.25	\$ 59,868.90	\$ 62,276.58
School, HMO Individual	\$ 318,414.24	\$ 297,186.62	\$ 309,748.32
School, HMO Family	\$ 2,006,326.80	\$ 1,872,571.68	\$ 1,951,720.20
School, PPO Individual	\$ 8,130.06	\$ 7,588.06	\$ 7,885.08
School, PPO Family	\$ 128,290.50	\$ 119,737.80	\$ 124,553.16
Retiree, HMO Individual	\$ 159,207.12	\$ 148,593.31	\$ 154,874.16
Retiree, HMO Family	\$ 261,694.80	\$ 244,248.48	\$ 254,572.20
Retiree, PPO Individual	\$ 48,780.36	\$ 45,528.34	\$ 47,310.48
Retiree, PPO Family	\$ 42,763.50	\$ 39,912.60	\$ 41,517.72
Retiree, Managed Blue	\$ 368,372.70	\$ 343,814.52	\$ 368,372.70
Retiree, MedEx	\$ 77,547.96	\$ 72,378.10	\$ 77,547.96
Retiree, Medicare Part B Reimb.	\$ 124,601.40	\$ 116,294.64	\$ 124,601.40
Retiree, Spouse Part B Reimb.	\$ 69,060.60	\$ 64,456.56	\$ 69,060.60
total:	\$ 4,273,466.76	\$ 3,988,568.98	\$ 4,173,923.43
		\$ (284,897.78)	\$ (99,543.33)
		-6.67%	-2.33%

Individual

Analysis of FY2017 Costs Using May 1, 2016 Enrollment as base		Municipal- Current Plan Offerings (7/5/25)			Current Plan Offerings (7/0/30)			MIIA Benchmark (7/5/25)		
Individual	Total Premium	Employer Share	Employer Annual	Total Premium	Employer Share	Employer Annual	Total Premium	Employer Share	Employer Annual	
HMO Blue	\$ 737.07	\$ 552.80	\$ 99,504.45	\$ 737.07	\$ 515.95	\$ 92,870.82	\$ 717.01	\$ 537.76	\$ 96,796.35	
BCEP Alt (PPO)	\$ 903.34	\$ 677.51	\$ 8,130.06	\$ 903.34	\$ 632.34	\$ 7,588.06	\$ 876.12	\$ 657.09	\$ 7,885.08	
total: enrollment & cost		\$ 1,07,634.51				\$ 100,458.88			\$ 104,681.43	
Analysis of FY2017 Costs Using May 1, 2016 Enrollment as base		School- Current Plan Offerings (7/5/25)			Current Plan Offerings (7/0/30)			MIIA Benchmark (7/5/25)		
Individual	Total Premium	Employer Share	Employer Annual	Total Premium	Employer Share	Employer Annual	Total Premium	Employer Share	Employer Annual	
HMO Blue	\$ 737.07	\$ 552.80	\$ 318,414.24	\$ 737.07	\$ 515.95	\$ 297,186.62	\$ 717.01	\$ 537.76	\$ 309,749.32	
BCEP Alt (PPO)	\$ 903.34	\$ 677.51	\$ 8,130.06	\$ 903.34	\$ 632.34	\$ 7,588.06	\$ 876.12	\$ 657.09	\$ 7,885.08	
total: enrollment & cost		\$ 326,544.30				\$ 304,774.68			\$ 317,633.40	
Analysis of FY2017 Costs Using May 1, 2016 Enrollment as base		Retiree- Current Plan Offerings (7/5/25)			Current Plan Offerings (7/0/30)			MIIA Benchmark (7/5/25)		
Individual	Total Premium	Employer Share	Employer Annual	Total Premium	Employer Share	Employer Annual	Total Premium	Employer Share	Employer Annual	
HMO Blue	\$ 737.07	\$ 552.80	\$ 159,207.12	\$ 737.07	\$ 515.95	\$ 148,592.91	\$ 717.01	\$ 537.76	\$ 154,874.16	
BCEP Alt (PPO)	\$ 903.34	\$ 677.51	\$ 48,780.96	\$ 903.34	\$ 632.34	\$ 45,528.34	\$ 876.12	\$ 657.09	\$ 47,310.48	
Managed Blue for Seniors	\$ 274.70	\$ 206.03	\$ 368,372.70	\$ 274.70	\$ 192.29	\$ 343,814.52			\$ 368,372.70	
MedEx	\$ 307.73	\$ 230.90	\$ 77,547.96	\$ 307.73	\$ 215.41	\$ 72,376.10			\$ 77,547.96	
total: enrollment & cost		\$ 653,908.14				\$ 610,314.26			\$ 648,105.30	
Medicare Part B Reimbursement										
Retiree		\$ 124,601.40			\$ 116,294.64			\$ 124,601.40		
Spouse		\$ 69,060.60			\$ 64,456.56			\$ 69,060.60		
Total: Inc. Medicare		\$ 847,570.14			\$ 791,065.46			\$ 841,767.30		

