

Finance Committee Meeting
August 13, 2013
MINUTES

R E C E I V E D
AUG 28 2013

TOWN CLERK, ACTON

Members Present: Steve Noone, Pat Clifford, Mike Majors, Bill Mullin, Mary Ann Ashton, Herman Kabakoff, Bob Evans, Margaret Busse, Doug Tindal, Liaison-Brian McMullen

Chairperson Pat Clifford called the meeting to order at 7:30 p.m.

I. Public Comment. None

The Chairperson gave a brief overview of this evening's agenda items.

II. Minutes.

- Bill made a motion, seconded by Herman, to approve the minutes of the **July 9, 2013**. Motion passed.

III. Committee Administration

Pat gave an update of some major financial calendar events.

- Budget Saturday planned for January 4, 2014
- No date for School Committee budget meeting
- Saturday, October 19, annual ATFC meeting in Franklin (9:00-3:00).
- Mike Coppolino, School Committee representative, discussed the financial impact of the new school regionalization plan. The task force will monitor finances as they progress. The group will meet 4-6 times per year, and may meet more frequently during the budget creation process.
 - Herman indicated that he was happy to see that a proactive effort to monitor finances is underway.
 - Margaret questioned the financial savings from regionalization. How are those savings determined? Coppolino stated that the task force will determine those savings with the help of the School Committee.
 - Coppolino then addressed a question from Mary Ann regarding process.
 - Pat stated that Bob Evans will be the FinCom representative to the task force. Bill moved that we approve the appointment of Bob to the Task Force. Seconded by Doug. Motion passed.

IV. Other Post Retirement Employment Benefits (OPEB) update from Steve Noone.

- The Segal actuarial study was received. A full actuarial study is performed every two years.

Segal OPEB Valuation

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2012</u>
Unfunded Liability Town	\$ 57,331,000.	\$ 31,188,000.
Unfunded Liability ABRSD	43,598,000.	22,926,000.
<i>Total</i>	<i>\$100,929,000.</i>	<i>\$ 54,124,000.</i>

<u>OPEB Assumptions</u>			
Investment ROI	4.5 %	Town	6.25 %
		School	7.0
		OPEB Trust	8.0
Inflation	3.5 %		3.5
Medical Inflation	10.0 %		8.0
<u>ARC (Annual Required Contribution)</u>			
Town	\$ 4,072,000.	\$ 2,594,000.	
ABRSD	3,308,000.	2,076,000.	
<i>Total</i>	<i>\$ 7,280,000.</i>	<i>\$ 4670,000.</i>	

- Previously Segal had advised the Town that the plan design and cost sharing changes that had been implemented would lower the \$100M 2010 liability by about \$13M. That change is reflected in the 2012 results.
- The ALG task force has not met for awhile, but he feels that the \$54 Million could be reduced by 25-30% based on OPEB legislation still pending. The problem is that we only get real data every two years.
- MaryAnn asked about the ROI calculations. Steve replied that the distinction is made between unfunded and pre-funded trust. The Town Treasurer has a limited number of investment options. Mary Ann agreed that the task force may not be needed indefinitely since we only receive data every two years. The task force might want to consider a range of options based on results.
- Doug thinks we might want to plan on paying down our OPEB obligation more aggressively.
- Margaret asked if the assumptions for 2014 would improve as dramatically as 2012? Steve responded that it would be hard to predict. The problem is we have made promises to people that don't have the funds to pay for.
- Bill asked about legislative activity and suggested that our subcommittee strategy should be part of our "point-of-view" document.
- Bob commented about the ARC.
- Pat summed up the discussion when she stated that we must be innovative in our approach to solving this problem.
- David Clough (BOS) commented on the forecast methodology. He indicated that it was time to have a good discussion with Don Aicardi.

V. Long Range Plan Update by Mary Ann Ashton

Mary Ann stated that the Long Range Planning Subcommittee is comprised of Herman Kabakoff, Doug Tindal, Mary Ann Ashton and Steve Noone.

- The subcommittee met to review and update the assumptions used in the LRFP model. The model will be updated with the inclusion of FY14 actual values.
- Mary Ann indicated that the significant changes from FY14 include:
 1. Lower % increases in healthcare based on the new Segal study
 2. Lower % increases in SPED
 3. Lower rate of increases in OPEB contributions
 4. Elimination of the Healthcare savings line

VI. Global Cash Flow Discussion by Bill Mullin

- Bill presented a brief outline to get the discussion going regarding "Global Cash Flow". Bill will be meeting with Steve Barrett and Don Aicardi in the near future and invited input from FinCom for the discussion thread.
- Mary Ann had questions regarding process and commented about overlaying reserve. What is the amount of reserves that we can look at to solve our financial problems?
- Doug believes that we should have a comprehensive review of the town's cash position.

VII. Acton Leadership Group Discussion – Calendar Realignment by Pat Clifford

- Pat presented an updated ALG Calendar that represented a first cut at the kinds of things the ALG should address. Pat welcomed input from the committee for the proposed schedule.

VIII. Committee Reports

- The FinCom members presented brief updates regarding the committees they are monitoring

IX. A motion was made by Bill and seconded by Mary Ann to adjourn. The motion passed and the meeting adjourned at 9:30 pm.