

WARRANT COMMITTEE FY07 MEETING MINUTES  
NOVEMBER 29, 2006  
7:30 P.M. CHENERY MIDDLE SCHOOL  
COMMUNITY ROOM

Handouts: Draft Report on the January 1, 2006 Actuarial Valuation of the Belmont Contributory Retirement System

Other Attendees: Treasurer Carman, Chairman of the Retirement Board Roy Sacco, Retirement Board Members Tom Gibson and Walter Wellman, Town Assessing Administrator Dick Simmons, Assessors Board Member Robert Reardon, and Town Accountant Hagg.

Members Absent: Members Allison, Christensen,

Meeting was called to order at 7:30 p.m.

#### Tax Rate Setting

Chair Jones stated that the BOS had heard on Monday evening that there would be \$800K of excess capacity. This number has been revised downwards to \$215K. There is no action that will be necessary from this Committee. Jones has asked that the finance members of the Town explain how these come about. A brief explanation of the reasons for the original estimate of \$800K excess capacity was given by Hagg. The sources were various estimated receipts that came in higher than anticipated. Assessing Administrator Simmons along with Robert Reardon further explained that although it is possible to tax to the max, we must account for the other receipts. Member Widmer asked why we don't take the total taxes available and reduce the other receipts. Reardon further stated that in the past the goal has been to tax within a ½ cent of the maximum. Member Hobbs asked for options. Perhaps we can vote additional increments in case further funds become available. Reardon explained that a STM appropriation would be necessary to rescind those appropriations since it is not possible to do contingent appropriations. Younger stated that today we reduced our estimates for estimated receipts (using conservative estimates); if these come in higher those flow to free cash. If this amount for excess capacity had been higher, the BOS was considering a STM. Widmer urges that if there is a balance of \$100K or more to call a STM. Are there better ways to track estimates on revenues or expenditures (Member Paolillo). Member Bruschi stated that if the tax recap had been done in September or October, the additional capacity could have been voted at the November 13th 2006 STM. Younger stated that we met today and reduced our estimated receipts by \$750K. These are considered prudent changes. Once the tax rate is set, it is not possible to use that excess capacity. The State Department of Revenue (DOR) approves the tax rate. We cannot print or mail the final real estate bills until approval has been given by the DOR. Statutory requirements state that the bills (actual or estimate) must be mailed by January 1st. All increased revenues from the new growth or new values would fall into the actual bill (4th quarter) if an estimated bill is sent out in January. Chair Jones took a straw vote of what members would want to vote excess capacity at a STM - Members Curtis, Bruschi and Doblin are in favor of this. Chair Jones would propose a vote of those funds to a Stabilization fund if a STM was needed.

Motion by Member Widmer, seconded by Member Heigham to convene a STM to appropriate to the cap & put those funds into a stabilization Fund. This was voted unanimously. Member Paolillo and White were asked to oversee the proper and timely estimates of revenues. Member Paolillo feels that a part time position to oversee this function is necessary. They will be looking at this. Member Widmer asked if this was a common problem. Reardon replied that it is a cumbersome process and as a state form you start at the back & go forward. Chair Jones asked if it would be worthwhile to vote a sum to the Stabilization Fund each year and then rescind it if necessary. A parent from Butler asked if a Stabilization Fund could be used for textbooks that were not budgeted. This would require a STM vote to get it out of Stabilization and a vote of the

WC to get it out of the Reserve Fund (unforeseen or emergency). School Chair Gibson stated that there is a textbook shortage and it has been years since library books have been replaced.

#### Draft Actuarial Report on Funding of Retirement System

Retirement Board Chairman Roy Sacco was present to discuss this draft report. The Board has not yet voted this recommendation by the actuary. The next Board meeting is on December 18th where a vote of must be taken. We continue to have a decrease in our percentage of funding of our unfunded liability. Member Widmer spoke with our actuary from Buck Consulting after approval from Hagg. Further he stated that we are not asking the Board to cut the funding but to spread the funding outward. He would like to reduce the year to year increment to meet that obligation. Two years ago there was proposed a first year larger increase with smaller increments thereafter. This increase was spread out. This happened in the funding schedule. His proposal for consideration of the Retirement Board and actuary was to have the same percentage of increase each year. This would just change the percentage increases to get to the same place in the last year of the funding schedule. As a general matter there are dozens of ways to meet the actuarial standards, he does not want to undermine any of the funding requirements but to have increases that are evenly distributed so that budgeting can be forecast. If there were a switch to a semi annual payment schedule (July and January), there would be savings of \$112K the first year. Member Heigham asked if we should keep the funds to earn interest for the Town. The Retirement Board is 100% invested at any given time. The Retirement Board has averaged 11% return up until the end of October. If the Retirement Board forgoes the revenue, the Town has to make up the interest at some point. Member Widmer stated that an alternative funding schedule produced by David Driscoll at the behest of Member Widmer would still have a 7% increase in FY08. There is no action being asked by the WC at this time. The Town has taken advantage of the "smoothing" method of recognizing gains and losses on investments. This was to our advantage during the market collapse but a detriment during these up market years. Member Widmer stated that the salary growth has been in keeping with the actuarial calculation.

Member Widmer would like a vote of the WC to ask the Retirement Board the  
To approve a funding schedule with a consistent rate of growth. This schedule would be good for two years at which point the actuarial report will be redone. Member Paolillo asked how a down market would affect these. Member Widmer explained that the "smoothing" takes this into account. Hagg stated that Retirement Board pays out over \$7M and receives an appropriation from all sources of less than \$5M. Member Widmer stated that this is not germane to the funding schedule since the actuarial valuation already takes this into account. Member Hofmann motioned, Member Doblin seconded the recommendation to have Member Widmer negotiate the second funding schedule. This was unanimous except for Member Heigham. Chair Jones would like to propose the school take over the obligation for school retirement contributions. This should be in mind during labor negotiations, keeping the health and retirement obligations in the forefront.

Member White thanked Member Widmer for this time and effort in negotiating and understanding these schedules.

Motion by Member Heigham to adjourn at 9:08.