

**Belmont Warrant Committee Meeting Minutes**  
**FINAL**  
**December 1, 2010, 7:30 p.m.**  
**Chenery Community Room**

Present: Chair Allison; Members Becker, Brusch, Callanan, Dash, Epstein, Grob, Libenson, Lynch, Manjikian, McHugh, Millane, Sarno, Smith; BOS Chair Jones; School Committee Chair Rittenburg

Town Administrator Younger and Town Accountant Hagg

Members Absent: There were no absent members.

The meeting was called to order at 7:30 pm by Chair Allison.

Chair Allison began by noting that the first order of business would be to hear an overview of the town's health care policy from the HR Director, Ms. Diane Crimmins. Chair Allison added that Town Accountant Hagg will then discuss the financial impact of the health care offerings.

### ***Town-Wide Issues***

#### **Health Care Costs**

Ms. Crimmins distributed a handout. She began by informing the WC that Belmont follows Massachusetts General Law (MGL) Chapter 32 B in administering employee and retiree benefits for all town and school employees. There are two categories:

- active employees and non-Medicare retirees
- Medicare-eligible retirees

She reviewed the options that are available to the town and noted that most employees are part of the HMO plan; fewer partake in the PPO plan. Retiree options include:

- Medicare Enhanced
- Medicare Enhanced Value
- Tufts HMO
- HMO Prime

The town pays 50% of the premium for the Medicare-Enhanced plan and Medicare Part B. The School Department employs about 700 employees, while the town employs about 350 employees.

She then reviewed some of the other benefits offered by the town, including basic term life insurance, a Delta dental plan, and a flexible spending plan.

## **WC Discussion**

Chair Allison asked about the retirees who are *not* eligible for Medicare; Ms. Crimmins replied that they are treated exactly like current employees. Member McHugh inquired whether specific rules exist stating what the town *must* contribute – in other words, what latitude does Belmont have? Ms. Crimmins replied that the state required the town to offer a plan that covered some Medicare costs. Member McHugh wondered whether the town could eliminate its most expensive plan. Ms. Crimmins offered that, since there is an open enrollment in the spring, the town may be able to drop it then. She added that retirees who live out of Belmont for many months of the year don't want a local HMO plan.

Member Epstein asked about the Tufts plan numbers: those numbers look lower. Ms. Crimmins said that the percentages appear to be skewed. She said she will check the formula and the numbers. Member Manjikian asked if the premium split can be revisited; BOS Chair Jones replied that yes, plan design(s) should be negotiated again during the upcoming negotiations.

The WC then reviewed the number of employees covered and family members who are also covered.

## **Health Claims Trust History**

Town Accountant Hagg noted that the town was self-insured. She said that both the town and town employees pay into the trust every month. Hagg reviewed the key numbers, noting that the town currently has \$4.7M in the trust as of 11/23/2010. However, this number does not reflect the IBNR (“incurred but not reported”) balances (from the billing lag), so at a minimum \$2.1M in IBNR funds will come off from the \$4.7M. This has been a successful plan, she said, as the percent increases are low, e.g. 5-7% only. Town Administrator Younger added that the trust is reviewed monthly.

Member Smith asked about re-insurance protection from an extreme coverage incident. Town Accountant Hagg said that the town has stop-loss insurance coverage. Several members asked what the impact of joining GIC would be for the town. SC Chair Rittenburg noted that the self-insurance model has recognized savings for the town and that GIC may not have been better savings given we are self-insured. Mr. Younger noted that the matter had been studied and the savings would have been approximately \$800K. Member Libenson observed that the balance is growing over time, and asked: how is that optimized? Hagg replied that the trust was intentionally built up to stabilize the rate structure. Last year, rates were raised only 5%, and this was without dipping into the trust.

Chair Allison said that, given the economy, she expects that the number of individuals is rising in Belmont, and that the balance ought to rise, as well. Member Libenson noted that the number of covered individuals has increased. If more family members are on the

plan, will the reverse happen as the economy improves? Ms. Hagg replied that the private sector has changed a great deal and a reversal is not expected to happen. BOS Chair Jones observed that the higher the town's contribution, the higher the participation – and the lower the town's contribution, the lower the participation.

Town Accountant Hagg distributed several schedules which detailed health insurance cost by function, broken out by department; retiree health policies by department; and pension benefits by department.

### ***Announcements***

Chair Allison notified the WC that Town Moderator Widmer noted that the state revenue numbers were pessimistic and that there will be an increase to town revenues, although the exact numbers are not known yet. The other major uncertainty is the health care cost increase. Once both numbers are available, the Town Accountant will update the 5-year forecast and provide those numbers to the WC.

Chair Allison noted that General Government Subcommittee Chair Millane had asked new members of that subcommittee to meet with the departments that they will be reviewing, so as to create familiarity. Member Millane also volunteered to put a schedule together for the WC regarding facilities costs that are not carried in their operating budgets, so that she will be the main contact for Mr. Kevin Looney.

### ***Report Formats***

#### **Departmental Guidance**

Town Accountant Hagg noted that town departments are being asked to do two budgets:

- “level service budgets” – (*not* level dollars) with no raises built in and no new employees built in.
- A “level dollar budgets” – whereby the bottom line will be the same, but certain areas within the department may need to get switched around in order to keep the dollar-amount level.

Town Accountant Hagg and Town Administrator Younger will then take these budgets and create the available-revenue budget that the WC requested. Town Accountant Hagg added that departments will have a different narrative this year: “Performance Management”. Performance Management – which allows departments to provide objectives, goals, program outcomes, etc. – is the next step from program budgeting. Chair Allison noted that this was a step beyond the WC request for FY2012.

#### **Draft WC Report Templates**

Member Epstein presented a template which might help to standardize the WC budget reports. Last year, he noted, the document was not uniform. For this year, he created a Word shell that each subcommittee can use as a template, fill in the data, etc. The subcommittee reports can then be emailed to Member Epstein and he will create one master report.

Each report will have the same set of headings, for example:

- budget overview
- description of department/mission
- spending overview
- trends
- program analysis
- expense analysis
- cuts/adds
- long-term issues
- observations
- recommendations.

Each shell is already about 25% done, but subcommittees will need to ferret out the current-year data and plug it in.

Chair Allison offered thanks and expressed confidence that this template will help create a useful, more practical, and more efficient report. Next steps include emailing each subcommittee chair a copy of the template. Member Epstein then explained how to type into the template and requested that the headings not be altered. Some departments will note “nothing to report” under certain headings.

### ***Town-Wide Issues (continued)***

#### **Compensation Parity Exercise**

Chair Allison: The Summer of 2008 created a “new normal”. Compensation and benefit structures are distinctly different than they were. Understanding where the town’s financial challenges come from – revenues, productivity, and costs – is important. Allison presented a methodology for doing so on the cost side by beginning with the town budget for FY2008 and assuming that the private, service-producing sector adjustments were seen in the municipal sector.

Regarding health care, she used the Harvard University pension and health care since 2007. She looked at what a 401(k) would look like and what the town match would be. This will help us see what our budget would look like assuming nothing else changed. Would this be plausible? Would this be useful? Does it help to get a quantitative look at the data?

Member Libenson noted that the town can’t offer a 401(k) pension, but that the salary side can be impacted and therefore the data there would be interesting. SC Chair

Rittenburg noted that the town is tied to labor relation laws and it would be illuminating to see what could be possible when unilateral changes can be made. We are constrained by these laws, the private sector is not. BOS Chair Jones noted that, while pensions were dictated by state law, wage increases and health care benefits were not dictated by labor law, offering the example of Caterpillar vs. General Motors. Member Epstein said he thought it would be valuable to have factual understanding and that these facts might help with changes at the state level. Reforms are needed on vital issues that are out of local control. Rittenburg agreed that the goal would be to advocate for state and federal changes.

Member Callanan said she is concerned about how the information would be presented to the public and what their reaction might be. Is this too much information for residents to absorb? At the very least, BOS Chair Jones offered, the public will get a sense that we are not funding our OPEB and pension obligations.

### **Update on Structural Reform**

Chair Allison noted that Structural Reform will be discussed in the new year. BOS Chair Jones noted that Member Libenson will chair a structural reform committee.

### ***Approval of Minutes***

Regarding the minutes of the November 10 WC meeting, Chair Allison noted that, on the motion to ask for available revenue and level service budgets, the minutes should reflect that there was one abstention to the motion.

The minutes of November 10 were then approved with two abstentions.

Member Dash asked about the subcommittee reports due December 15. Chair Allison said that a brief oral report with perhaps a departmental organizational chart would be appropriate.

### ***Wrap-Up/Adjournment***

BOS Chair Jones moved to adjourn at 9:32 pm.

Member Becker provided the meeting summary.

Submitted by Lisa Gibalerio  
WC Recording Secretary