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BOARD OF SELECTMEN
DATE: 1-25-16

**MINUTES
TOWN OF BELMONT
BOARD OF SELECTMEN
SELECTMEN'S MEETING ROOM
Monday, December 21, 2015
7:00 PM**

CALL TO ORDER

A regular meeting of the Board was called to order in open session at 7:02 p.m. by Chair Sami Baghdady in the Selectmen's Meeting Room. Selectmen Mark Paolillo and Jim Williams were present. Town Administrator David Kale and Assistant Town Administrator Phyllis Marshall were also present.

Chair Baghdady began by turning to the first item on the agenda.

QUESTIONS FROM TOWN RESIDENTS

[There were none.]

ACTION BY CONSENT

Recognition of the late Ms. Anne Allen with a Tree Dedication

Ms. Elizabeth Gibson, of the Historical Society, appeared before the Board concerning the Tree Dedication.

Chair Baghdady explained that a memorial tree and plaque will be placed on the new delta as a memorial to Ms. Anne Allen. Ms. Gibson spoke to all that Ms. Allen has done for Belmont.

The Board supported this idea as a way to honor Ms. Allen.

Ratification of the Tax Classification and Residential Exemption Vote

Chair Baghdady explained that this item has been dealt with at a recent Board meeting and therefore does not require ratification.

Presentation on Pension Obligation Bonds and Presentation on OPEB (Other Post-Employment Benefits) Actuarial Report

Mr. Floyd Carman, Town Treasurer, Ms. Linda Bournival, KMS Consulting Actuary, Ms. Kathleen Riley, Segal Sr. Vice President, and Mr. Peter Frazier, First Southwest Senior VP, appeared before the Board to present on the Pension Obligation Bonds and on the OPEB (Other Post-Employment Benefits) Actuarial Report.

Chair Baghdady requested that the discussion be focused on how sound Belmont's existing

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DATE: 1/14/08

practice and policy is. He would like to assess its riskiness, how it compares to other towns, its practical restrictions, and, finally, he would like to explore whether the existing policy can be improved upon. Selectman Williams said it has not been made clear who (in town) is responsible for what, concerning the Pension obligations. He read a statement from Town Counsel concerning the pension obligation. He then reiterated that the Pension Fund is under the purview of the Retirement Board. With regard to OPEB, he said that program is under the Board of Selectmen's purview. Selectman Paolillo noted that there is an OPEB working group and they have not yet released their report. Chair Baghdady said that no decisions will be made this evening.

Pension Obligation Bonds

Mr. Frazier introduced himself to the Board and provided some information on his professional background. He has been working with Belmont since 1989. He then reviewed the process in Belmont, noting that there is an "unfunded liability" component to the pension obligation. He briefly explained how a Pension Obligation Bond (POB) works, e.g., how the money is borrowed and how payments are made against the debt service. He reviewed the costs of POBs, noting that the interest rates are currently low.

Mr. Frazier discussed what has happened in Worcester and Brockton with regard to using POBs. He noted that POBs have been used nationally, as well. There are a range of outcomes, based on timing and other factors. He explained the benefits of using POBs, which include savings and the potential for the town to invest its proceeds. However, there are risks and he discussed several, e.g., reduced flexibility, credit rating impact, and underperformance – all of which could lead to additional unfunded liability. He then explained the rating agency perspective on POBs, which is that pension liabilities must be prudently managed.

Next steps include having a risk analysis done. This will help identify the likelihood of a particular outcome. Also, meetings should be set up with the A&F and the DOR to determine State support for POBs and conditions. The Actuarial Study will need to be updated and the bonds will need to be priced.

Ms. Kathleen Riley then spoke to Segal's role in the process. She discussed the amortization schedule, the assumptions made, the payment schedule, and the investment returns. This was illustrated using three basic scenarios.

Mr. Frazier ended by noting that there are pros and cons of utilizing POBs. The next steps were outlined by Mr. Frazier listed below:

- Develop Financial Plan (including Risk Analysis-Monte Carlo Simulation)
- Initial Meeting with A&F, DOR to determine State support of POB and conditions
- Town Meeting Authorizes Petitioning the General Court for Special Legislation and authorizes POBS
- Legislature Passes Enabling Act (subject to conditions)
- Actuarial Study Updated
- Administration & Finance, DOR and PERAC review and sign-off

- Price Bonds/Invest Proceeds

The Board of Selectmen then commented.

Selectman Williams noted that the Board needs financial advising, and has received very little thus far. He then asked if the Town currently has a POB-type structure with the state. Mr. Frazier noted the distinctions among the current schedule of payments and the POB system. He then raised the issue of taxable versus tax-exempt bonds. Mr. Williams then offered his perspective on how the town could proceed, e.g., funding \$60M via a debt exclusion. He said this will free up money for the operating budget and for funding OPEB. Chair Baghdady and Selectman Paolillo asked clarifying questions to Selectman Williams. He opined that, by infusing \$60M into the retirement fund, it would change the entire structure of how this obligation is funded.

Mr. Carman noted that the current funding schedule is not a fixed obligation; there is some flexibility. He said we are not locked in full funding by 2027.

Selectman Paolillo asked about the current debt capacity. Mr. Frazier and Ms. Riley provided some additional information on this issue. He also asked about the Brockton experience with concern to the placement of their savings.

Chair Baghdady then asked some clarifying questions pertaining to the projected savings. Selectman Williams spoke again about the debt exclusion option. Chair Baghdady asked about the risks of the POB versus what the town is currently doing and/or extending the obligation. Selectman Williams spoke to the model of assessing the risk to the town. Ms. Riley said the most pressing risk is the investment risk. Market corrections, she said, will eat into potential savings.

The Board discussed possible strategies and agreed that additional analysis is needed going forward.

Mr. Thomas Gibson, Retirement Board Vice Chairman, stated that the Belmont Retirement board (BRB) is observing tonight. If given a check for \$60 million he stated that the BRB will invest it.

Ms. Bournival then introduced herself and explained her role in managing the town's Other Post-Employment Benefits (OPEB) benefits. She explained the GASB 45 accounting standards and the Annual Required Contribution (ARC). She noted that disclosure of information about the plan, plan assets, and liabilities is key. GASB 45 does not require funding of the liability, just reporting. GASB 45 will be replaced by GASB 75 beginning with fiscal year ending June 30, 2018.

She then explained the GASB 45 valuation process. The model collects census data, plan provisions, economic/demographic assumptions, and actuarial methods. She reviewed the compliance standards and provided more information on the GASB 45 model: plan provisions, assumptions, etc.

She then reviewed the discount rate, noting the pay-as-you-go, partially-funded and full-funded payment options. She noted that there are actuarial assumptions in health care, including the trends, the participation rates, and spouses covered.

Ms. Bournival provided a summary of key GASB 45 results. She reviewed the annual OPEB cost (AOC), the Net OPEB Obligation (NOO), and the gain/loss analysis. She noted that there are cost saving changes that can be implemented to control OPEB costs. Belmont did implement changes to the plan in 2012. In addition to controlling costs, there are ways to control the liabilities. She noted actions taken by Belmont, such as establishing a trust in 2010 and a funding policy in 2013, etc.

She spoke in more detail to the new GASB standard – GASB 75. Also, she said there are forecasting models for Belmont to use.

Mr. Kale provided information on the discount rate and the funding of the annual required contribution. Chair Baghdady asked how Belmont compares to other communities in fully funding the ARC. Ms. Bournival noted that none are fully funded but funding policies are in place in most of the Triple A communities.

Selectman Williams then offered comments concerning the concept of fully funding this commitment and asked several clarifying questions. He stressed that Belmont needs to address these liabilities. Expert advice is required.

Selectman Paolillo said that most communities cannot afford to fully fund this liability.

Dr. Ralph Jones, Chair of the OPEB study group, noted that the OPEB study group will issue its report soon – although more information is needed. OPEB, he said, is a more manageable expense than pension.

Chair Baghdady, together with Mr. Kale, will come up with a “next steps” list and present it to the Board. He thanked those who presented as well as the town employees who worked hard to prepare the presentation.

The Board took a brief recess.

Annual License Renewals

Chair Baghdady noted that these renewals are all in order and have been approved by the appropriate departments.

Common Victualler

Selectman Williams read the names of the businesses:

- Michael’s Pizza (Paleo Inc.) – 191 Belmont Street

- The Loading Dock (Nicolas Market LLC) – 11 Brighton Street
- Thyago's Pizza (Adriano de Medeiros) – 368 Trapelo Road
- Belmont Hill Club (Belmont Hill Club, Inc.) – 825 Concord Ave
- Fiorella's Express (Fiorella's Express Belmont, Inc.) – 263 Belmont Street
- Belmont Pizza (Jason Alch) – 388 Trapelo Road
- Nick's Place II (A & R Family Enterprises, Inc) – 6 Channing Road

The Board moved: To approve the Common Victualler licenses, details noted above.

The motion passed unanimously (3-0).

Common Victualler with Wine and Beer Alcohol License

Selectman Paolillo read the names of the businesses:

- Kashish (Rohbaj Enterprises, Inc.) – 61 Leonard Street
- Shangri – La (Shangri – La, Inc.) – 149 Belmont Street
- Patou Thai Restaurant (Little Lotus Inc.) – 69 Leonard Street
- Asai Restaurant (JDJ, Inc) – 30 Leonard Street
- Stone Hearth Pizza (Asillem, LLC) – 57 Leonard Street

The Board moved: To approve the wine and alcohol licenses, details noted above.
The motion passed unanimously (3-0).

Common Victualler with All Alcohol License

Chair Baghdady read the names of the businesses:

- Savino's (Savino's Grille, Inc.) - 449 Common Street
- El Centro (Alra Inc.) – 66 Leonard Street

The Board moved: To approve the all alcohol licenses, details noted above.
The motion passed unanimously (3-0).

All-Alcohol Retail

Chair Baghdady read the names of the businesses:

- The Spirited Gourmet (The Spirited Gourmet of Belmont, LTD.) – 448 Common Street
- The Loading Dock (Nicolas Market LLC.) – 11 Brighton Street

The Board moved: To approve the all alcohol retail licenses, details noted above.
The motion passed unanimously (3-0).

Wine and Beer Retail

Chair Baghdady read the names of the businesses:

- Craft Beer Cellar (Craft Beer Initiative LLC.) – 51 Leonard Street
- Vintages, Adventures in Wine (Artichoq, Inc.) – 32 Leonard Street
- Art's Specialties (Art's Specialties LLC.) – 369 Trapelo Road

The Board moved: To approve the wine and beer retail licenses, details noted above.

The motion passed unanimously (3-0).

Club Alcohol Licenses

Selectman Williams read the names of the businesses:

- Belmont Country Club – 181 Winter Street (Club)
- Belmont VFW Waverley Post – 310 Trapelo Road (War Veteran's Club)

The Board moved: To approve the club alcohol licenses, details noted above.

The motion passed unanimously (3-0).

Motion Picture Exhibition

Selectman Williams read the name of the business:

- Studio Cinema (Star Theatres Inc.) – 376 Trapelo Road

The Board moved: To approve the motion picture license, details noted above.

The motion passed unanimously (3-0).

Class I License to Buy and Sell New Motor Vehicles

Selectman Williams read the name of the business:

- Cityside Subaru (Cityside Subaru, Inc.) - 790 Pleasant Street

The Board moved: To approve the Class I license, details noted above.

The motion passed unanimously (3-0).

Class II License to Buy and Sell Used Motor Vehicles

Selectman Williams read the name of the business:

- Automotive Service of Belmont (David Smith) – 259 Belmont Street

The Board moved: To approve the Class II license, details noted above.

The motion passed unanimously (3-0).

Annual Entertainment License (New License for 2016)

Chair Baghdady noted that this is the first license issued of its kind; he read the name of the business:

- The Loading Dock (Nicolas Market LLC.) – 11 Brighton Street

The Board moved: To approve the alcohol entertainment license, details noted above.

The motion passed unanimously (3-0).

Town Administrator's Report

Mr. Kale did not report.

Committee Liaison Reports

Next week, Selectman Williams will report on the CPA applications and Selectman Paolillo will provide a Minuteman update.

Executive Session

The Board moved: To enter into executive session at 9:57 p.m. to consider the purchase, exchange, lease or value of real property if an open meeting may have a detrimental effect on the negotiating position of the public body and the Chair so declares. The Board will not return to open session.

A roll call vote was taken: Chair Baghdady said aye, Selectman Paolillo and Williams also said aye and the motion passed unanimously (3-0).

[The executive session proceeded. See separate minutes.]

Adjournment

The Board moved: To exit Executive Session and adjourn the meeting at 10:31 p.m.

A roll call vote was taken: Chair Baghdady said aye, Selectman Paolillo and Williams also said aye and the motion passed unanimously (3-0).

NEXT MEETINGS

Monday, December 28, 2015 at 7:00 p.m. Selectmen's Meeting Room Town Hall

As noted above, the Board moved to adjourn the meeting at 10:31 p.m.



Mr. David Kale, Town Administrator