

TOWN OF GROTON FINANCE COMMITTEE Regular Session

*Monday, October 22, 2018, 7:15 p.m.
Town Hall, 2nd Floor Meeting Room
173 Main St. Groton, MA
Meeting Jointly with Select Board*

Present for Finance Committee: G. Green (Chair), B. Robertson (Vice Chair), Art Prest, S. Whitefield, D. Manugian, L. Leonard, C. Doody

Present for Select Board: J. Giger, A. Manugian, B. Pine, B. Pease (Chair), J. Degen (participating remotely)

Absent: None

Also Present: P. Dufresne (Town Accountant), M. Haddad (Town Manager), D. Dunbar (Executive Assistant), J. Greeno (Principal Assessor), M. Doig (H.R. Director), M. Hartnett (Tax Collector/Treasurer), J. Anderson, C. Sartini (Groton Herald)

Documents available at the meeting: Financial Projections FY20 Memo (10/18/18)
OPEB Liability Funding Policy (10/16/18)

*Mr. Green called the regular session of the Finance Committee to order at 7:15 p.m.
Select Board is already in session*

Budget Guidance for FY2020:

Mr. Haddad summarized his FY20 revenue and expense estimates as presented in his Financial Projections Memo of 10/18/18 (attached). This projection has been updated to remove excluded debt. He stressed that he is committed to working cooperatively with the school district during the upcoming budget process, however he remains concerned about GDRSD requesting such a substantial portion of new revenue. Potential room taxes are not included in this preliminary analysis, but FY20 revenue from The Inn is likely to be somewhere between \$39,420 (assuming 30% occupancy) and \$52,650 (assuming 40% occupancy). He reminded the group that our assessment for MCRS will be reduced in FY20 by \$108,000 because the Town has now fully funded its Early Retirement Incentive. Unexpended Tax Capacity is currently at \$81,803 for FY19 and Local Receipts are trending upwards.

Mr. Greeno (Principal Assessor) explained that he is estimating approximately \$20 million in new growth for FY20 which translates to additional revenue of \$381,000. The final number is dependent on the timing of project completions. The FY19 new growth should be certified within the next couple of weeks and is expected to be as high as \$27.5 million. In response to a question from Mr. Green, Mr. Haddad said that

permit revenue has been slowing down. The group briefly discussed the status of several ongoing residential construction projects.

Mr. Haddad noted that the Nashoba Valley Technical High School's assessment would most likely be higher for FY20 due to increased Groton student enrollment (+5) and possible new capital expenditures. GDRSD is currently projecting a 5.33% increase in operations (which translates to about 4% growth after adjusting for flat State aid); the school committee will certify the budget in February. The group briefly discussed the procedure for approving large capital projects (with and without debt) for both GDRSD and NVTHS. Health Insurance has been factored in with a 10% growth estimate. The \$190,449 set aside for salaries may be high, as the higher paid employees merit increases can be funded from Free Cash. Given the assumptions discussed, the anticipated FY20 municipal increase will be \$379,673 or 2.54% over FY19. Mr. Robertson agreed with Mr. Haddad's analysis, and is comfortable with this level of growth for FY20, as long as the budget is balanced without an override. Mr. Prest believes that estimating \$50,000 for room tax would be conservative, and stressed that Meals Tax revenue and Personal Property Tax will be higher and should be looked at carefully. Mr. Greeno noted that Personal Property Tax growth will be driven by the Four Corners project and the new Groton Inn. He is anticipating \$1.5 million but, cannot guarantee that, as some personal property falls off the rolls as well. He reminded the group that Groton offers a \$10k exemption on this tax. A full measure and list of Personal Property was done recently (which cost \$18k and realized \$75k in new value). Mr. Manugian asked for the FY19 final budget growth over FY18. Mr. Haddad offered to provide that information.

The group discussed revenue budgeting. Mr. Manugian said that he understands why revenue is budgeted conservatively, but would like to be able to recognize when the revenue projections have been finalized for the fiscal year. Mr. Haddad explained that 3, 5 and 10-year analyses of revenue are performed annually, but the 5-year average has proven to be the most reliable. He noted that we can set initial revenue projections by December 31st, but cannot confidently predict the level of new growth which is not available until the following year. Additionally, the motor vehicle excise commitment is not known until January. On the expense side, Health Insurance rates are not finalized until February. There are a specific set of expense and revenue items that are not settled until very late in the budget cycle and that are large enough to have a significant impact. He feels it would make sense to maintain some flexibility in the budget process, allowing for updates to these specific variables in order to have the most accurate results. Mr. Haddad stressed that he starts with conservative estimates, and then revises as these variables become known quantities. The group discussed restricting revenue updates to three dates during the year: 12/31, 3/01 and 10/31. It was suggested that a master revenue worksheet be maintained that will provide an audit trail of all changes made on each of those three dates. Mr. Green expressed concern about holding the Town Manager to projections this early in the year. Mr. Pease felt it would be helpful to be able to look back and understand the way revenue estimates had evolved over a particular time period. Mr. Giger agreed saying this kind of tracking system may help the public to understand the volatility of municipal financial activity.

Ms. Pine asked whether there have been any updates to the school district's FY20 budget forecast. Mr. Haddad replied that there is a meeting set up for next Tuesday with the School Superintendent and the Business Manager. All relevant information from that meeting will be passed on to the Select Board and Finance Committee. Ms. Manugian mentioned that the most recent School Committee newsletter

included a preliminary FY20 budget that is \$20,000 less than the placeholder the Town is currently carrying. Of course, that number may be different from what is ultimately certified.

Mr. Robertson moved and Mr. Manugian seconded a motion for the Finance Committee to direct the Town Manager to balance the FY20 municipal operating budget at no more than 2.54% growth over FY19 (without excluded debt and without a tax override).

Mr. Degen would like to set the budget growth guidance at 2.3% for FY20. He argued that meeting 2.54% growth is too easy, whereas 2.3% would require the Town to work much harder to find efficiencies and achieve taxpayer savings. Meals tax and Property Tax estimates are low and a Room Tax provision of \$50,000 will be added. Mr. Giger agreed that 2.3% would represent a reasonable challenge for the Town. Mr. Haddad pointed out that two additional fire fighter positions were just approved, which will make 2.3% an arduous goal. Mr. Robertson stated that 2.54% will be enough of a challenge given that the projections show a \$250,000 deficit. He reminded the group that the Finance Committee can always adjust the balanced budget later, for instance if they decide to engineer a particular amount of unexpended tax capacity. Ms. Manugian requested that the Select Board add guidance to restrict revenue adjustments and the creation of new positions.

On a motion by Ms. Manugian, seconded by Mr. Pease, the Select board voted in the majority to direct the Town Manager to draft a balanced FY2020 Operating Budget that limits municipal growth to no more than 2.54% over FY19 (without excluded debt and without overriding Proposition 2 ½), includes no new benefitted positions and provides for revenue adjustment on only three dates during the year: 12/31, 10/31 and 3/1. Any such revenue adjustments will be tracked in detail on a dedicated spreadsheet. The Vote: 4-0-1 (Mr. Degen voted against this motion)

In an effort to provide unified budget guidance to the Town Manager, the Finance Committee decided to amend their previous vote:

Mr. Robertson moved and Ms. Leonard seconded a motion to amend the Finance Committee budget guidance to match that voted by the Select Board. The vote carried unanimously. (The Vote: 7-0-0)

On a motion by Mr. Robertson seconded by Ms. Leonard, the Finance Committee voted unanimously to direct the Town Manager to draft a balanced FY2020 Operating Budget that limits municipal growth to no more than 2.54% over FY19 (without excluded debt and without overriding Proposition 2 ½), includes no new benefitted positions and provides for revenue adjustment on only three dates during the year: 12/31, 10/31 and 3/1. Any such revenue adjustments will be tracked in detail on a dedicated spreadsheet. The Vote: 7-0-0

The Select Board adjourned their meeting at this time (8:35 pm).

OPEB Funding Policy – The Finance Committee members discussed the changes made to the funding options on the final page of the most recent draft of this policy (adopted by the Select Board on 10/16/18). They had no additional recommendations to make to this policy.

On a motion by Mr. Prest, seconded by Ms. Leonard, the Finance Committee voted unanimously to approve the OPEB Liability Funding Policy as adopted by the Select Board on October 16, 2018. The Vote: 7-0-0

Mr. Green said that the Finance Committee will meet again prior to January to discuss the establishment of a Capital Planning Advisory Committee; Mr. Manugian agreed to liaise with the Select Board on this issue.

Mr. Green officially adjourned the regular session of the Finance Committee at 8:45 p.m.

Respectfully submitted,

Patricia Dufresne, Recording Secretary

Patricia DuFresne

From: Mark Haddad
Sent: Wednesday, November 14, 2018 6:34 AM
Cc: Dawn Dunbar; Patricia DuFresne
Subject: Housing Proposal at Groton Country Club

Good Morning Members of the Select Board and Finance Committee:

Based on an idea generated by Art Prest, I began to investigate the possibility of creating a senior housing development on Town owned land surrounding the Groton Country Club Golf Course. The Towns of Acton and Tyngsborough had successfully created such housing and I believe this has a lot of potential to address a housing need and generate income to make the Country Club more viable. I had brought this to the attention of the Select Board and told them I was starting to pursue such an idea. Since I did not receive any negative feedback from the Board, I started to formulate an action plan.

In order to accomplish this plan, I have taken a couple of steps. First, I reached out to the Affordable Housing Trust for funding to hire an engineer to develop a conceptual plan to determine if this idea is feasible on Country Club Property. In addition, I have filed a Community Preservation Application for engineering funds to develop plans and specifications to put such a project out to bid should it be feasible. This will allow the Town to draft an RFP to seek a developer to build such a project.

Unfortunately, the Affordable Housing Trust has tabled by request at this time. Apparently, Don Black attended their meeting last night with a similar proposal to put 80 units on about 20 acres that might need a zoning overlay district. While I appreciate the Affordable Housing Trust's need to obtain greater information on another proposal before deciding how to proceed, I do not want to delay the Country Club Proposal. Specifically, if I am to proceed with the Community Preservation Application, I need to prove the concept works. I cannot do this without the Conceptual Plan.

I have a quote for \$4,500 from a local engineer to draft this plan and I want to hire him ASAP. To that end, I would like to approach the Finance Committee for a Reserve Fund Transfer Request or receive approval from the Select Board to expend funds from Town Hall expenses and then seek reimbursement for this account at the 2019 Spring Town Meeting.

I will place this on the Select Board Agenda for Monday, November 19th for Board action.

In the meantime, please feel free to reach out to me with any additional questions or concerns with regard to this matter.

Mark

Mark W. Haddad

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Patricia DuFresne

From: Mark Haddad
Sent: Thursday, October 18, 2018 12:17 PM
Cc: Dawn Dunbar; Patricia DuFresne
Subject: Reconsideration of Establishing a Capital Planning Advisory Committee

Good Morning Members of the Select Board and Finance Committee:

After Tuesday's Select Board Meeting, I thought long and hard about the proposed Capital Planning Committee and am writing to you today to ask you to reconsider the necessity of creating such a Committee, or at a minimum, delaying its establishment for a number of years. I have several reasons for making this recommendation. Please consider the following:

1. The stated purpose of the Committee is to assist the Select Board, Finance Committee and Town Manager in long range planning for major building projects and updating the five year capital plan.
2. There was a Capital Budget Committee previously. It was abolished upon adoption of the Charter and removed from the Town Bylaws.
3. Section 6.6 of the revised Groton Charter states that:

"The town manager shall annually submit a capital improvement plan to the select board and the finance committee not later than December 31. The plan shall include: (i) a clear, concise and general summary of its contents; (ii) a list of all capital improvements proposed to be undertaken during the ensuing 5 years along with supporting information as to the need for each capital improvement; (iii) cost estimates, methods of financing and recommended time schedules for each improvement; and (iv) the estimated annual cost of operating and maintaining each facility and piece of major equipment involved. The information in the plan shall be revised annually by the town manager with regard to the capital improvements still pending or in the process of being acquired, improved or constructed."

For the last ten years as Town Manager, pursuant to the Groton Charter, the Department Heads and I have developed a very good Capital Plan to replace the Town's equipment and plan for major capital building expenditures. This plan is funded each year through the Capital Stabilization Fund, Free Cash or General Obligation Bonds. This plan is reviewed each year by the Select Board and Finance Committee and ultimately funded by Town Meeting. The Department Heads play a very important role in the establishment of the Capital Plan. They know their equipment and what needs to be replaced. I have the utmost confidence in their ability to continue to assist me in updating the Plan. I am not sure what a Capital Planning Advisory Committee will add to this process. I believe the Select Board and Finance Committee have done a very good job reviewing the Plan and approving its presentation to Town Meeting. Both Boards are uniquely qualified to continue to review and approve the Plan.

4. In the past five years, the Town has approved funding for a Fire Station and Senior Center. These buildings were part of the five year Capital Plan and approved accordingly. Building Committees were established for each of these projects. Expertise related to the buildings was sought out for these Committees. While some can argue that individuals appointed to these Committees may have been in favor of the projects, leading to higher building costs, the opposite happened. They did a very good job assisting the Town Manager in overseeing both projects, from design to construction oversight in a very cost effective manner.

5. The following is a summary of the status of our current buildings:

- a. Town Hall. Renovated in 1999, this Building has been very well maintained and a capital improvement plan, established by our DPW Director has been well implemented. We recently updated and repaired the slate roof, installed a new HVAC system, annually maintain the boiler, repointed the building three years ago, etc.
- b. Police Station – Constructed in 1989, this Building has undergone various improvements and renovations over the last four years, including a new roof and siding, repairs to the HVAC system and interior improvements to the electrical system. The parking lot was reconstructed and repaved last year. We are currently undertaking improvements to the Dispatch Center with \$120,000 appropriated thus far, with another \$60,000 scheduled for next year.
- c. Lost Lake Fire Station. Constructed in 2004, this building is in excellent shape and is maintained by both the Fire Department and DPW Building Maintenance Division.
- d. Center Fire Station – Constructed in 2014, this building is in excellent shape and is well maintained by both the Fire Department and DPW Building Maintenance Division.
- e. West Groton Fire Station. Currently unoccupied and scheduled for some sort of disposition. No longer needed by our Fire Department.
- f. Senior Center – Currently under construction.
- g. Groton Public Library – Renovated in 1999, this building has undergone several repairs in the last few years. Interior improvements for space needs have been addressed. Improvements to exterior retaining walls and walkways have been completed in the last two years. The parking lot is slated to be repaved and lights in the parking lot are scheduled to be replaced in the next two years. A building envelope study was conducted last year, leading to the recommendation to replace the roof. An architect has been hired and Town Meeting approved funding to design and put the project out to bid. More importantly, this building is under the control of the Library Trustees. They make all decisions relative to this building (subject to funding by the Town in most cases) and I am not sure what role a Capital Planning Committee will play in the oversight of the Building.
- h. Highway Garage. Constructed in 1989, this facility is in desperate need of improvements. To that end, Town Meeting appropriated funding to design and bid a new/renovated facility. A Building Committee will be appointed in the next few weeks to assist the Town Manager in the implementation of this project.
- i. Legion Hall. Maintained by our DPW, this building underwent a renovation of the first floor in 2012 when the floor collapsed. The heating system was updated at that time as well. Building is in relatively good shape and is scheduled to be repointed in the next two years.
- j. Fair Grounds. Leased and maintained by a third party. No Town funds used to maintain these facilities.
- k. Williams Barn. Overseen by the Conservation Commission. Recently had the foundation repaired. Building is in relatively good shape.
- l. Fields. Maintained by our Park Commission and Highway Department. Improvements not paid for by the Town (either through the Capital Stabilization Fund or CPA Funds) are paid for by the user groups.

6. I believe Prescott School needs to be addressed separately. Currently, that building is leased to the Friends of Prescott who cover all utility expenses. The Town pays the insurance and maintains the exterior, including landscaping and snow removal. The Friends of Prescott has successfully secured CPA Funds to make various improvements to the building. The Select Board is considering appointing a Prescott Development Committee to help determine the future of the building. A Capital Planning Committee would be redundant should this Committee be established.

7. The Regional School Committee is currently reviewing the future of the Florence Roche Elementary School. I believe that any decision made by the School Committee will need to be approved by the Groton Select Board since we own the building. Should they decide to abandon the building, the Town will have limited options with the building since it abuts the Middle School. This decision will need to be made by the Select Board in conjunction with the School Committee.

Based on all of this, I believe we have a very good Capital Plan in place. We have addressed almost every one of our building needs and I would ask you to reconsider the need for this Committee. I would be more than happy to discuss this in more detail with the Select Board and Finance Committee if you deem appropriate. Thank you for your consideration.

Mark

Mark W. Haddad

Town Manager

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Patricia DuFresne

From: Mark Haddad
Sent: Tuesday, October 23, 2018 9:44 AM
Cc: Dawn Dunbar; Patricia DuFresne; Melisa Doig; Michael Hartnett; Jonathan Greeno
Subject: RE: FY 2020 Budget Guidance

Good Morning Again:

Select Board Member Manugian pointed out that I missed one requirement and that is the following:

5. Revenue shall be updated three times during the budget development process as follows: December 31st, March 31st and October 31st.

Please add this to the previous 4 guidelines.

Thank you.

Mark

From: Mark Haddad
Sent: Tuesday, October 23, 2018 7:18 AM
Cc: Dawn Dunbar <ddunbar@townofgroton.org>; Patricia DuFresne <pdufresne@townofgroton.org>; Melisa Doig <mdoig@townofgroton.org>; Michael Hartnett <mhartnett@townofgroton.org>; Jonathan Greeno <jgreeno@townofgroton.org>
Subject: FY 2020 Budget Guidance

Good Morning:

Based on the Select Board and Finance Committee meeting of October 22, 2018, the following budget guidance was given to the Town Manager for the development of the Fiscal Year 2020 Proposed Operating Budget:

1. The total increase in the Municipal Budget (minus excluded debt) shall be no greater than 2.54%.
2. The Town Manager shall submit a balanced budget, without the need of an override of Proposition 2½.
3. With the exception of fully funding the two new Firefighter Positions in FY 2020, there shall be no new benefited positions proposed (the Select Board and Finance Committee will have to review any proposal from the Fire Department Task Force Study Committee).
4. The Town Manager shall provide a summary of any changes from the initial projections with an explanation of the changes.

Please let me know if you have any questions or clarifications regarding the above.

Mark

Mark W. Haddad
Town Manager
Town of Groton
173 Main Street
Groton, MA 01450

Patricia DuFresne

From: Mark Haddad
Sent: Thursday, October 18, 2018 2:23 PM
Cc: Dawn Dunbar; Patricia DuFresne; Michael Hartnett; Jonathan Greeno; Melisa Doig
Subject: Updated Financial Projections for FY 2020

Good afternoon:

In anticipation of the Budget Guidance Meeting on Monday with the Select Board and Finance Committee, I have made a slight change to the anticipated revenue and expenditure projections for FY 2020. It is my understanding that there was some angst at last week's Finance Committee Meeting over statements in my previous email on this matter with regard to proposed Town increases and the impact of the anticipated GDRSD increase. I met with Bud Robertson to review all numbers to make sure he and I were in agreement with the preliminary numbers. I am pleased to report that we are in violent agreement with the following:

With regard to the anticipated municipal increase, I inadvertently included excluded debt in the total Town budget and based the percentage increase on that number. I apologize for that oversight. I have corrected the number on the below chart, showing the increase with and without excluded debt. Removing excluded debt increases the anticipated increase by .14% from 2.4% to 2.54%. It certainly wasn't my intention to minimize the anticipated increase.

With regard to the anticipated increase in the Groton Dunstable Regional School District Assessment, a member of the Select Board was concerned by my previous statement that the proposed increase will take 82% of new revenues and that it appeared that I was trying to strain the relationship between the Town and the District. As someone who has advocated for the School District, that was not my intention at all. I was simply pointing out the hard fact that Groton cannot afford to dedicate almost all new revenues to the District and maintain municipal operations at their current level. I apologize if I cast the wrong impression. It is important to point out that the State Aid makes up 27% of the School District's revenue, while it makes up 6% of the Town's revenues. This makes budgeting for the District and maintaining their current level of services very difficult. The GDRSD Assessment makes up 57% of the Town's budget.

With regard to the Room Occupancy Tax, we have not included any revenue in our projections at this time. However, we can provide a preliminary estimate for consideration. The average room price is \$200 and there are 60 rooms. At 100% occupancy every night, that would generate \$4,380,000 in income. Three (3%) percent of this is \$131,400. At 30% occupancy, we could count on \$39,420 in new revenues in FY 2020, at 40% occupancy, it would generate \$52,650, and at 50% occupancy, the Town would receive \$65,700. I would like to discuss with both the Select Board and Finance Committee what you feel would be a conservative number to budget for next year. This would obviously lower the anticipated deficit.

Finally, there was some concern that I was lowering the Town's increase by taking credit for the reduction in our County Retirement Assessment due to the fact that we paid off the early retirement assessment in FY 2019. This allowed the Town to save \$108,000 in County Retirement expense in FY 2020. The actual increase in that budget is \$80,581. If we were to count the increase, the anticipated increase in the Municipal Budget would be \$580,965 (versus \$379,673) or an increase of 3.80%.

The below chart is the update from my previous chart that was reviewed and agreed with between Bud Robertson and I:

Preliminary FY 2020 Revenue Estimates		
		Increase Anticipated
Anticipated 2½% Increase	\$	765,425
New Growth - Calculated at \$20 million in Value	\$	381,000
Unexpended Tax Capacity	\$	81,803
State Aid	\$	-
Estimated Receipts	\$	80,261
Total Anticipated New Revenues	\$	1,308,489

Preliminary FY 2020 Expenditure Estimates		
Nashoba Tech - Five New Students	\$	100,000
GDRSD - 5.33 Percent Increase	\$	1,077,482
Health Insurance - 10 percent Increase	\$	171,630
County Retirement	\$	(108,646)
Salary - Based on Current Agreements	\$	190,449
Expenses - One Percent Increase	\$	28,240
Debt Service - In Levy	\$	10,000
Medicare	\$	8,000
Two New Firefighters - Full Year Increase	\$	80,000
Total Anticipated New Expenses	\$	1,557,155
FY 2019 Municipal Budget with All Debt	\$	15,804,656
FY 2019 Municipal Budget without Excluded Debt	\$	14,939,211
Anticipated FY 2020 Municipal Increase	\$	379,673
Percent Increase Over FY 2019 with All Debt		2.40%
Percent Increase Over FY 2019 without Excluded		2.54%

I look forward to meeting with the Select Board and Finance Committee Monday evening. Please feel free to contact me with any additional questions or concerns with regard to this matter.

Mark

Mark W. Haddad
Town Manager
Town of Groton
173 Main Street



Select Board Policy

Other Post-Employment Benefits Liability

PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other post-employment benefits (OPEB) to current and future retirees, this policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEB, thereby avoiding transferring costs into the future.

This policy is adopted in compliance with Governmental Accounting Standards Board (GASB 74/75) and Massachusetts General Law, Chapter 203C, §3 and Massachusetts General Law, Chapter 32B, §20.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Select Board, Finance Committee and Town Manager in their budget decision making responsibilities. This Policy also applies to the OPEB related duties of the Finance Team members, including the Town Accountant, Town Treasurer-Tax Collector, Principal Assistant Assessor, Human Resources Director and Executive Assistant to the Town Manager.

BACKGROUND

In addition to salaries, the Town of Groton compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health and life. These are collectively referred to as other post-employment benefits or OPEB.

OPEB represents a significant liability for the Town that must be properly measured, reported, and planned for financially. As part of the long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long term asset investment at higher rates of return than those realized by general operating funds. This fund is managed by the Town Treasurer.

POLICY

The Town of Groton is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting and Reporting

The Town Treasurer, responsible for oversight of the investment portfolio, has designated Morgan Stanley as investment manager of the trust assets. The Treasurer will manage the fund's contributions and disbursements and monitor the account and investment activity reports. On an annual basis, the Finance Team will meet to review the Trust's investment policy to ensure conformance with the State's prudent investor laws, and to review investment strategy, performance and fees.

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

The Town Manager shall ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audits and will report on these to the Select Board.

B. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Treasurer shall monitor proposed laws affecting OPEB and Medicare and analyze their impacts. The Treasurer shall also regularly audit the group insurance and retiree rolls and drop any participants found to be ineligible based on work hours, active Medicare status, or other factors.

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB Trust from taxation, free cash, retained earnings, and any other legal form. Among strategies to consider for funding the obligation:

- Determine and commit to appropriating an annual portion of Free Cash and available Tax Capacity.
- Determine and appropriate annually the amount necessary to prevent the net present value OPEB Liability from increasing.
- When a new position is created, determine the OPEB liability for the position and appropriate annually the anticipated OPEB liability of the position, in addition to the annual cost of the position.
- When the Town's Unfunded Pension Liability is fully funded in 2035, the Town will appropriate such savings to the Town's OPEB Trust to reduce its OPEB Liability.

ADOPTED: October 16, 2018