

**Minutes
Town of Lexington Appropriation Committee
June 30, 2010**

Place and time: Town Office Building, Room 111, 7:30 p.m.

Members present: Alan Levine (Chair), Glenn Parker (Vice-Chair), John Bartenstein (Vice Chair and Secretary), Rick Eurich, Mollie Garberg, Susan McLeish, Joe Pato, Rob Addelson (ex officio, non-voting)

Also present: Carl Valente, Denise Casey, Micah Niemy, Deborah Brown, Michael Kennealy

The meeting was called to order at 7:40 p.m.

1. **Thanks to Rick Eurich.** This was Rick Eurich's final meeting after more than nine years of service on the Appropriation Committee. Rick was originally appointed in 1999 to fill an uncompleted term, and then was reappointed for three successive three-year terms. The committee expressed its thanks and appreciation to Rick Eurich for his long and valued service.

2. **Amendments to Open Meeting Law.** Carl Valente noted that recent amendments to the Open Meeting Law would not be deferred until the fall, as had previously been anticipated but would go into effect on July 1, 2010.

3. **FY2010 Year-End Transfers.** Micah Niemy reviewed with the committee a number of proposed year-end transfers from the Reserve Fund (which must be approved by the Appropriation Committee) and from other accounts under the "3% rule" (which must be approved by the Appropriation Committee and the Board of Selectmen). The details are set forth in a spreadsheet that was distributed to the committee. After extensive discussion and questioning, the committee voted unanimously to: (1) approve the transfer of \$334,401 from the Reserve Fund to cover Public Works expenses for snow and ice removal, spring flooding pumping expenses and unanticipated fire department apparatus and radio repairs; and (2) approve the transfer of \$78,465 under the 3% rule to cover workers' compensation claims and the purchase of new communications equipment for the Fire Department.

Micah also reviewed with the committee proposed transfers from the Town's salary adjustment account totaling \$316,500. These adjustments, which are approved by the Board of Selectmen and do not require a committee vote, are needed primarily to fund the retroactive costs of a recent settlement with the firefighters' union and also to cover certain other overtime costs and other contractual settlements and obligations not absorbed by unused salaries from vacant positions. Rob Addelson noted in response to a question that the salary adjustment account is a continuing balance account; the balance before the transfers was approximately \$1,000,000 and after the transfers will be approximately \$600,000. Rob also noted that all labor contracts from 2009 and earlier have been settled, and that most contracts for 2010 and beyond remain open.

4. Coalition Bargaining Settlement. Town Manager Carl Valente and Denise Casey, Human Resources Director, reported to the Committee on the results of a coalition bargaining settlement that had recently been reached with all of the Town's unions on health benefits. Carl and Denise provided the committee with a spreadsheet detailing the terms of the settlement and summarized the highlights as follows:

- The Town's contribution rate will be decreased by 2.5% each year for the next two years from its current level of 85% to 80%
- Plan design will be changed to increase co-pays and to add a new co-pay for inpatient hospital visits (\$250 per visit up to a maximum of 3 visits per year)
- To offset the concessions on health benefits, the Town will increase the base wages of all full-time employees across the board by \$500; part-time employees will receive a pro-rated amount
- To fund the agreement, Town Meeting will be asked at the next annual town meeting (or special town meeting if one occurs earlier) to transfer the necessary amounts from the health benefits budget to the salary budget. If Town Meeting does not approve the transfer, health benefit funding will revert to the *status quo ante* (i.e., 85% contribution, no increase in base salary)
- Finally, if legislation is enacted at the state level that allows the Town to make unilateral plan design changes, and the Town makes such changes, the default Town contribution rate will revert to 85%

The Town Manager estimates that the net savings to the Town that will result from the settlement are approximately \$365,000 in FY2011 (1.5% of the health benefits budget) and \$942,070 in FY2012 (3.6% of the health benefits budget). The committee commended the Town Manager and his staff for this achievement.

In response to questions, it was noted that extensive efforts had been made to negotiate for a health cost reimbursement account arrangement instead of a base salary increase, which would have had tax advantages for Town employees, but these efforts were not successful. Efforts to introduce "rate saver" plans were also unsuccessful, but are believed to be worth a continued look in the future. The increase in base salaries will have an impact on pension costs, but these have been accounted for in the net savings calculations and will be factored into the adjustments to be made at the next town meeting.

5. Miscellaneous. The Town Manager advised that the most recent revenue projections for FY2011 are not particularly promising, but the possibility of a revenue shortfall was not unexpected, and approximately \$400,000 of unallocated revenue was left aside at the Annual Town Meeting to cover possible shortfalls. Approximately

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\$80,000 of this amount will be needed to cover a reduction in state aid below the amount budgeted at the time of the annual town meeting. If there is a further shortfall beyond the approximately \$320,000 of unallocated revenue remaining, the likely source of funding would be the Stabilization Fund.

Plans are in the works to hire an additional staff member, as authorized in the FY2011 budget, to provide support to the finance committees, including minute-taking, in view of the additional obligations that will be imposed by amendments to the Open Meeting Law. John Bartenstein, who has been serving as secretary to the committee, agreed to assist in the development of a job description.

The committee discussed a number of administrative issues, including adjustments to the process for posting agendas and other steps that will be required to comply with the new Open Meeting Law; arranging for a joint meeting in the fall with the Community Preservation Committee to discuss certain policy issues, including the use of CPA funds to support Town projects; covering the meetings of various other committees, including the Permanent Building Committee, that are expected to occur during the summer; and the agenda for the next meeting, which will take place on Monday, August 9, 2010.

The meeting was adjourned at approximately 10 p.m.

Respectfully submitted,

John Bartenstein

Approved August 9, 2010