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**MINUTES  
TOWN OF BELMONT  
MUNICIPAL LIGHT BOARD  
TOWN HALL  
SELECTMEN'S MEETING ROOM  
Monday, March 26, 2018  
7:00 P.M.**

**I. CALL TO ORDER**

*Chair Dash called to order a regular meeting of the Municipal Light Board (MLB) at 7:02 P.M.*

Present:

MLB – Chair Adam Dash, Vice Chair Mark Paolillo, Member Jim Williams

Belmont Light (BMLD) – Acting General Manager Craig Spinale, Staff Maria Makar-Limanov and Aidan Leary

**II. DISCUSSION AND VOTE ON PROCESS FOR ASSEMBLING A LIGHT BOARD MEETING**

Chair Dash gave background for the reason behind the meeting. Member Williams had asked for a special meeting of the Light Board to discuss the second item on the agenda, the OPEB discussion, but Dash decided not to call a meeting because the item did not seem to be an emergency matter, as it had been previously discussed many times. Dash then learned that a Light Board meeting had been posted and placed on the Town Calendar by Williams, without consulting the other Board members or Spinale. Dash canceled the meeting, then after much thought and discussion, decided to reinstate the meeting to ensure the proper method was followed.

Dash said it is inappropriate for a single member to post a meeting without the consent of a majority of members and it is disrespectful to the Board, disrespectful to the General Manager, and disrespectful to the democratic process of the Town. He said the Board has discussed the OPEB issue several times and that the Edward J. Collins Center is undertaking a financial review, the results of which the Board should wait to see before deciding anything on the matter. He said that there is an item on the Board of Selectmen meeting agenda to go over how to call meetings. Paolillo added that he understood Williams' passion for the OPEB subject, but it is the Chair's prerogative to call meetings.

Williams reviewed his history with the OPEB issue. He said he has been involved in OPEB his entire time in office, including establishing an OPEB Committee in 2015. The Warrant Committee had reported on the pension obligation, resulting in a rescheduling of the obligation. Reports from Ralph Jones on OPEB and David Kale on personal healthcare were conducted. The Board of Selectmen had then allowed Williams to work with a consultant on alternatives.

Williams said that if the enterprise funds pay their contributions, that would reduce the obligation from \$12 million to \$6 million over 11 years. He thought it was important to discuss OPEB in the middle of the budget cycle.

Williams said that, under the Open Meeting Law, he is unable to discuss the issue with other Board members and unable to go through the General Manager or the Town Administrator, as that is serial communication. But, he said after discussing with the Town Clerk and Town Counsel, there was no known bylaw or state regulation that prevented him from posting a meeting himself. He said that Paolillo had stated previously that he was willing to hear the benefits of the reconfiguration of OPEB. Williams said the OPEB issue is important enough that he thought it warranted a meeting. Williams continued to discuss the reasoning for his decision.

Paolillo said that if Williams felt strongly about calling the meeting, he should have had Spinale ask the Chair to meet. He disagreed that that method would be considered serial communication. Williams said that with the budget process approaching, he was giving the Board an opportunity to vote the proposal up or down. Paolillo said that the Light Board will continue after Williams is no longer a member and that the issue should be discussed after the Collins Center report is finished.

Dash said that there had been discussion at the last meeting of the Board of Selectmen regarding having the Water and Sewer Division OPEB issue to the Board of Selectmen, not the Light Board. He said he was glad that Williams brought up the issue, since it is an important one, but that the discussion now is about process. The Board continued to discuss the process for calling meetings.

Paolillo suggested convening as both the Light Board and Board of Selectmen to discuss the OPEB issue jointly.

*The Board moved to go into recess at 7:28 pm.*

*Chair Dash called back to order a regular session of the Municipal Light Board, in joint with the Board of Selectmen, at 7:58 pm.*

### **III. DISCUSSION AND VOTE ABOUT FUNDING OF LIGHT DEPARTMENT'S ANNUAL OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATION AS CALCULATED BY SEGAL CONSULTING IN ITS MOST RECENT OPEB ACTUARIAL REPORT**

Williams (as Chair of the Board of Selectmen) welcomed consultant Kathy Riley to discuss the OPEB issue. Williams presented the Board with a Town of Belmont 2017 OPEB Valuation Report (see below) and said that the Board would be discussing and voting on whether to allow the enterprise funds to fund their OPEB obligations, which would switch the obligations from free cash to fee-based funding.

Riley reviewed Page 8 of the valuation report. The report from Ralph Jones had shown that the liability went down from \$200 million to \$93 million, approximately \$4 million of which was for Belmont Light. The normal cost, which is the amount of the payment to cover current benefits being earned (shown on Line 6), plus the amount of the payment on the unfunded liability (shown on Line 9) came to a total (shown on Line 12) of \$354,000 for Belmont Light. The Town currently funds OPEB on a pay-as-you-go (PAYG) basis but is not funding the unfunded portion for future payments. The amount needed to fund the unfunded portion for Belmont Light would be \$213,000.

The current OPEB policy is based on free cash, not on the cost of the unfunded liability or recommended contribution. That payment by the Town is \$250,000 per year through 2029, after which the payment is amortized to \$12 million until OPEB is paid off by 2041.

Riley and Williams put together four alternatives to paying down the unfunded liability, based on a few assumptions. All of the alternatives were designed to cut the amortization to \$6 million or less by 2030. Those alternatives were stated as follows:

- 1) Pay \$2 million, increasing by \$400,000 each year. The amortization would be \$6 million from 2030 to 2041.
- 2) Pay \$2 million, increasing by \$60,000 each year. The amortization would be \$6 million from 2030 to 2044.
- 3) Pay \$1 million, increasing by \$7,000 each year. The amortization would be \$6 million from 2030 to 2047.
- 4) Pay a straight line amortization of \$4.5 million from 2020 to 2041.

Williams stated that the reduction of \$6 million in payments could be used to fund the new high school project.

Paolillo said that the way the Town has dealt with the unfunded liability was through changes to the plan. He said that the Board of Selectmen had always viewed the OPEB liability estimate as an actuarial number, a soft liability starting in 2029 and that under Riley and Williams' plan, it would be a hard liability. He said there is no state mandate to fund the liability and that the Town is already funding retirees' benefits on a PAYG basis. Riley said that the four alternatives were meant to put in modest amounts and accelerate the funding to alleviate future funding stress.

Paolillo stated that, whereas the Water and Sewer contribution would be \$75,000 total, the Belmont Light contribution is more than he would consider at that point.

Jones said that the committee studying OPEB had not come to any conclusions yet. He asked, since this is not a legal requirement, whether there are policy concerns in play regarding whether to fully fund the unfunded liability.

Makar-Limanov stated the Belmont Light collects its OPEB obligations through its rates in order to fund the liability. She said that considered part of doing business and is recognized in Belmont Light's financial statements and part of the rate base. Belmont Light views the actuarial reports and bases the amount to accrue on the portion of the OPEB obligation indicated in that report.

Dash said the plan the Town already has in place is sound and that, while he would love to expedite everything, the things that are legally required should be prioritized ahead of the things that are not legally required. He said that he did not want to bind the hands of the new General Manager as well. He also asked why the Town got the grant to have the Collins Center do the financial planning study if the Town was just going to do it itself.

Williams reviewed the roles that the OPEB Committee, Riley, and the Board played in the OPEB issue. He said that Belmont Light is already collecting the contribution. That is why, he said, he voted against the transfer of OPEB funds to the rate stabilization fund and why he was proposing an incremental contribution to cut the OPEB obligation in the future.

Discussion ensued on whether any other town was fully funding its OPEB liability. Riley stated that no town was fully funding its OPEB liability. She continued that the Governmental Accounting Standards Board (GASB) does not require setting aside the assets, rather it requires recognizing the unfunded liability on an entity's financial statements.

Paolillo asked, if the Town never fully funds OPEB, whether it could continue to do PAYG every year. Riley said yes. Dash noted that the current policy is not to continue PAYG forever.

Dash said that the Board may end up doing the proposed changes after all current projects are complete, but that a plan was needed to do so. Paolillo said that he is open-minded to using enterprise funds, but that he wanted to wait a bit longer based on what Dash said. He wanted to know what the impact on Belmont Light operations would be if resources were redirected.

Geoff Lubien, Member of the OPEB Committee and Town Meeting Member, Precinct 7, reiterated Riley's statements about the importance of compounding. He said the current plan is risky because a large amount of money will suddenly come out of pension and go into OPEB one year. He said other unknown priorities might arise between now and then and that the proposal was all about mitigating risk, as it frees up cash and makes the payments at the end lower.

Williams asked, if the Board decided to do the enterprise funds, whether there would be time after the Collins Center report to make recommendations and get it into the 2019 budget. Paolillo said that could be done for Belmont Light, since it is on a calendar year basis. Dash added that it could be discussed at a possible Fall Town Meeting.

#### **IV. ADJOURNMENT**

*Board moved to adjourn at 8:49 P.M.*