

➤ **Article 2A: Operating Budget Amendments**

9/7/16

Lynne Barrett, Director of Finance, presented Article 2A. This article appears at every Fall Town Meeting and makes adjustments to the General Fund budget voted at the Spring Annual Town Meeting. The following adjustments are necessary:

| Article 2A - General Fund Budget Amendment: | Town Meeting Budget Line | FATM Adjustments Needed |
|--|----------------------------------|--------------------------------|
| Medicare Part B Penalty | Member Benefits | (7,000) |
| Medicare Part B Premium | Member Benefits | 82,000 |
| Workers Comp | Member Benefits | 242,000 |
| Deferred Comp | Member Benefits | 15,000 |
| Employer Medicare | Member Benefits | (55,000) |
| Life Insurance | Member Benefits | (35,000) |
| Managed Blue | Member Benefits | 437,500 |
| | Member Benefits - Line 46 | 679,500 |
| Veterans Benefits | Veterans Expenses - Line 14 | (150,000) |
| All Town Insurance | All Town Insurance - Line 52 | (167,000) |
| Moderator's Expense | Finance Exps - Line 10 | 4,500 |
| Fuel & Utilities | Fuel & Utilities - Line 39 | (75,000) |
| Legal Expense | Town Manager Exps - Line 2 | 150,000 |
| Short-Term Interest | Non-Enterprise Debt - Line 53 | (194,800) |
| | General Fund Total | 247,200 |

Explanations for increases and (decreases) are as follows:

Member Benefits:

- Medicare Part B Penalty – Enrollment numbers are down even though penalty amounts have increased due to increased federal Medicare premium amounts.
- Medicare Part B Premium – Even though the town’s Medicare Reimbursement rate has decreased over the previous year the amount of eligible retirees increased over the amount that we had budgeted for. There were 20 more on the town side and 98 more on the school side.
- Workers Comp – the increase in premium is due to updated audited payrolls being used for the Fiscal 2017 year and an estimated increase that will be due when they complete the audit for Fiscal 2016.
- Deferred Comp – increase is based on current participants estimated out for the year. The new FIRE contract included a match that they did not have before.
- Employer Medicare – anticipating not needing as much as we had budgeted based on estimated payrolls and settled contracts.
- Life Insurance – budget was based on an increased life insurance benefit that has not gone into effect yet because all groups are not settled yet.
- Managed Blue – Increase due to the rise in number of retirees turning age 65; same as the reason above for the Medicare Part B premium.

Veterans Benefits - The number of veteran’s claims has decreased over the last two years; currently they are trending at spending approximately \$630,000 in FY17 based on current claims. This decrease will leave them with \$650,000 which the Veterans Agent is comfortable with.

All Town Insurance – we insure our property / casualty and workers comp with MIIA. Due to the large increase in our Workers Comp premium they “smoothed” out the overall increase in our total insurance products by not increasing the property / casualty by as much as we had anticipated.

Moderators Expense – the cost of the services we require at Plymouth’s town meetings merited an increase with the electronic voting vendor.

Fuel & Utilities – the trend in this line item has decreased over the last two years in addition to our 3rd contract for Solar coming online at the end of fiscal 2016.

Legal Expenses – the cost of pursuing the sewer litigation is reflected in this number.

Short-Term Interest – decrease is due to a combination of interest rates and a decrease in the overall amount that we ended up borrowing.

Also, as part of Article 2A, General Fund Budget amendment, the motion for funding the overall total needs to be modified to include the funding sources for the T-Wharf short term interest from Municipal Waterways, Town Hall short term interest from the Meals Tax Fund, and Plymouth South High School short term interest from Premium for Debt Exclusion; as shown in the following table:

| Article 7A from Annual Town Meeting | | April ATM Totals | FATM 10/15/2016 Art 2A | FATM Grand Totals |
|--|-----------------|--------------------|------------------------|-------------------|
| Total General Fund Operating Budget | (Item #1-54) \$ | 197,522,205 | 247,200.00 | 197,769,405.00 |
| Title V - Betterment Program | \$ | 173,458 | | 173,458.00 |
| State Boat Ramp Revolving Fund | \$ | 10,360 | | 10,360.00 |
| Recreation Revolving Fund | \$ | 45,953 | | 45,953.00 |
| Memorial Hall Revolving Fund | \$ | 10,083 | | 10,083.00 |
| Plymouth Beach Revolving Fund | \$ | 9,866 | | 9,866.00 |
| Fire Safety & Prevention Revolving Fund | \$ | 7,731 | | 7,731.00 |
| Fire Alarm Master Box Services Revolving Fund | \$ | 9,856 | | 9,856.00 |
| Cemetery Perpetual Care | \$ | 23,863 | | 23,863.00 |
| Municipal Waterways | \$ | 130,000 | 23,464.00 | 153,464.00 |
| Meals Tax Fund | \$ | 270,000 | 105,411.00 | 375,411.00 |
| Premium for Debt Exclusion | \$ | 198,648 | 225,857.38 | 424,505.38 |
| General Fund Free Cash for OPEB Fund | \$ | 500,000 | | 500,000.00 |
| Less Total Transfers | | \$ 1,389,818 | 354,732.38 | 1,744,550.38 |
| To be raised by the 2017 Tax Levy (General Fund revenues & other sources) | | \$ 196,132,387 | (107,532.38) | 196,024,854.62 |

Funding Sources:

The \$23,464 reflects the debt service specifically for the T Wharf Project so that will be paid from the Municipal Waterways Fund. Money was borrowed sooner than anticipated for the Town Hall Project so the \$105,411 will be paid from the Meals Tax Fund. We borrowed in May for the Plymouth South High School project so \$225,857.38 will be paid from the Premium for Debt Exclusion. That leaves a reduction of \$107,532.38 in the amount being funded by the FY2017 General Fund, bringing it from \$196,132,387 to \$196,024,854.62.

Questions:

- Is the \$150,000 increase to legal expenses just for the sewer lawsuit? (B Cavacco) Yes.
- Is the town still looking to recover those fees as part of the sewer lawsuit? (H Salerno) Yes.
- Regarding the use of the Meals Tax, is the project more expensive or is it just moving at a faster rate than anticipated? (E Kusmin) It is moving at a faster rate so the cash flow statement that we receive from the Owners Project Manager has been update with all of the contractors and sub-contractors. We originally anticipated borrowing \$15 million in FY2017 and we ended up borrowing \$20 million.
- Regarding the Medicare Part B Premium budget increase, do we anticipate the same happening next year? (C Merrill) It is difficult to estimate both the number of retirees each year as well as the number of new employees coming on every year. Employees do not always provide generous notice for their retirements. We run reports showing ages of those nearing retirement age but still have no idea if they actually plan to retire any time soon.
- Regarding the Managed Blue increase, more opted in to the option than planned? (H Helm) Yes, at age 65 retirees sign up for Medicare A & B and then are given two supplemental plans options: Medex (a more expensive PPO type plan) or Managed Blue (a less expensive premium based plan). More are choosing the Managed Blue than we had anticipated. We left the other side of this

equation, Member Benefits, alone because the net was only \$37,000 and on a \$32 million dollar budget, we left it there.

- What is the total Managed Blue budget? (J Moody) the FY2017 total is increasing to \$1.5 million.
- Will we see a significant Managed Blue premium increase in the future? (J Moody) No because history has shown that premiums decrease with increased enrollment.
- The Health Insurance Trust Fund is \$32 million, \$1.5 million would be a small portion of that total. (J Moody) With this product, we can not self insure so we would have to look at other products.

Kevin Canty made a motion to recommend Article 2A to Town Meeting. Patrick O'Brien, second. The motion carries unanimously (12-0-0).