Rowe Finance Committee
February 23, 2021
6:30 P.M. via Remote Participation

Present: Chair Wayne Zavotka, Vice-Chair Loretta Dionne, Christopher "Selmi" Hyytinen, Paul McLatchy III, Laurie Pike

Other Attendees:

Dennis Annear	Fire Chief
Bill Knittle	School Principal
Lance Larned	DPW Superintendent
Sean Loomis	Park Manager
Jennifer Macksey	School Union Business Manager
Margaret Rice	Board of Health Chair
Julie Shippee	Chief of Police
Rick Williams	Board of Assessors Chair

Audience of Citizens: None

Note: Due to the national COVID-19 pandemic, this meeting was held via remote participation as authorized by executive order of the governor. All votes are taken via roll-call vote.

Call to Order: Chair Zavotka called the Finance Committee meeting to order at 6:02 P.M., a quorum of the committee present.

Benefits Discussion: This meeting was called to give an opportunity to department heads to provide feedback on the plans of the Finance Committee regarding employee benefits. At a previous meeting, the Finance Committee voted not to approve a plan by the Board of Selectmen to divide the employee insurances into individual departments. They argued that departments are not always aware of the benefit costs, focusing primarily on salaries in their budget. However, benefit costs can be a significant expense on top of this. Though the Finance Committee did not approve the proposal, the Committee does wish to make this information more transparent and will be doing so via reports for the Annual Town Meeting. Chair Zavotka welcomed all department heads to the meeting.

> Those present reviewed documents provided by the Board of Selectmen, including a Q&A document (attached) about why they felt this change would be beneficial, and what drawbacks there were to it. They also reviewed a (very) basic draft white paper that included information about operating budgets and benefit costs. A great deal of information will be added to this paper before town meeting, but it was enough to demonstrate what the goal of this document will be.
>
> The Finance Committee recommended to the Board of Selectmen that employees should receive an annual review of their benefits, so that they are aware of their entire benefits package. New hires will also be informed. The Committee also suggested that no new hires be made mid-year (other than where legally required or to fill a budgeted vacancy).

Ms. Macksey reported that she has seen the budget broken down both ways- in a lump sum like Rowe does and by department. She feels the white paper is the way to go, as she has seen problems when broken down by department. She thinks education on benefits might be more beneficial.

Chair Rice supported keeping the budget the way that it is. Chair Williams agreed with Chair Rice and Ms. Macksey, even though the Assessors don't currently have any benefited employees.

Chair Zavotka explained that the Committee had had some concerns about identifying individual employees, but also pointed out that this information can already be obtained. Chair Rice didn't feel like identifying individual employees would be much of an issue to the public at large. Mr. Hyytinen stated that he saw this as a way to make the budget more transparent.

Mr. McLatchy, who supported the Selectmen's proposal, opined that the goal of such a change was to make departments more conscientious of the costs with benefits. As they are not responsible for these expenses now, he felt that many departments only focus on the salary/wages and give little to no consideration to the potential benefit costs. He hopes that this meeting might help to change that, as the benefits line represents the second or third largest budget in town.

Next Meeting: The Committee will meet jointly with the Board of Selectmen on Tuesdays in March to continue budget deliberations.

Adjourn: A motion was made by Mr. McLatchy and seconded by Ms. Pike to adjourn the meeting at 6:43 P.M. The roll-call vote was unanimous in favor:

Wayne Zavotka	Aye	Christopher Hyytinen	Aye
Paul McLatchy III	Aye	Laurie Pike	Aye
Loretta Dionne	Aye		

Respectfully Submitted,
Paul McLatchy III, Secretary

Approved: March 23, 2021

Paul McLatchy III, Secretary

Unable to be signed by entire committee due to COVID-19 pandemic.

Attachments:

- Agenda
- Changes Q&A
- White Paper Example

Finance Committee
Tuesday, February 23, 2021; 6:00 pm
Via Remote Participation

Meetings normally held at the Municipal Offices are being held remotely, with adequate, alternative means of public access and, where required, public participation provided, in accordance with the Governor's March 12, 2020 Order Suspending Certain Provisions of the Open Meeting Law, M.G.L. c.30A § 20.

The public is welcome to participate.

REMOTE PARTICIPATION INFORMATION:
Meeting Host: zoom.us
Meeting ID: 288-065-7034
URL: https://zoom.us/j/2880657034
Telephone: 312-626-6799

Agenda:

1. Call to Order. 6:00 pm
2. Recognize participating committee representatives
3. Explanation of Information Related to Departmental/Comittee Benefit Information
4. Response Time
5. Adjournment (when finished with Response)

Posted: Janice Boudreau – February 16, 2021 at 12:30 p.m.
Filed: Town Clerk – February 16, 2021

Splitting the Benefits

Why is this being proposed?

This shift is being proposed to better reflect the true costs of departmental expenses and to encourage departments to take these costs into consideration when making personnel changes.

What are the benefits?

- The true cost of an employee is far more than just their salary. Health, dental, and basic life insurance are costs that are borne by the town and cannot be withheld due to budget constraints, lower-than-expected revenues, or other external factors. Employees have a legal right to these benefits and may not be influenced to limit or choose a less expensive option. By shifting these costs to the various departments, the true cost of the expense is clear not just to town officials, but the public at large.
- Departments who will now have benefits as part of their budget lines will now have to request additional funding for the benefits as well. For a new position, new hire, or changing an employee from part-time to full-time, the town must budget an additional $21,973 in benefits, as this is the cost for the most expensive plans for health, dental, and life. This means that these extra costs must be factored in before deciding whether to make personnel changes. As it currently stands, departments typically only have to weigh whether or not to approve the wages for a position, with the town having no choice but to raise additional funds for its benefits. A new 20-hour person making $25,000 a year may not sound that bad, but the total amount that actually has to be budgeted is almost $47,000, or almost double.
- The school, which would be receiving the largest share of the existing fund, is not bound by line item. This means that in years where costs are less than expected, the remaining funds can be shifted to other priorities within the building. For example, a new teacher is hired but needs no benefits. The $21,973 that was budgeted could instead be spent on other projects for that one year.
- Departments will not be expected to cover increased costs out of their budgets now or in the future. There will be no negative dollar effect on their budgets.

What are the downsides?

- This could be seen as an attack on the two largest expenses: the school and the retirees. However, these are the two largest expenses in town.
- Large premium increases could cause a budget increase to be perceived as unusually high- i.e. even though the rest of the budget is under 2.5%, the benefits could go up 10% and skew the bottom line.
- For the three departments with only one benefitted employee, it exposes the individual costs for that employee. While not protected information, people may be annoyed by this.

What questions need answering?

- How do we manage mid-year cost increases? (change in personnel, qualifying events, etc.)
    - Keep spending and replenish using a line-item transfer or town meeting transfer at the end of the year?
    - Increase reserve fund so that overruns can be covered by FinCom?
- How to split multi-departmental employees?
    - Largest department (most hours) takes full amount?
    - Split based on hours?

Budget Numbers Including Benefit Costs

General Government/Administration

Operating Budget:	$414,845
Benefit Costs:	$47,372
True Costs:	$462,217

DPW/Highway

Operating Budget:	$579,675
Benefit Costs:	$53,357
True Costs:	$633,032

Police Department

Operating Budget:	$65,249
Benefit Costs:	$0
True Costs:	$65,249

Board of Health

Operating Budget:	$149,087
Benefit Costs:	$73
True Costs:	$149,160

Parks

Operating Budget:	$114,885
Benefit Costs:	$20,184
True Costs:	$135,069

Library

Operating Budget:	$71,225
Benefit Costs:	$20,184
True Costs:	$91,409

School

Operating Budget:	$1,577,501
Benefit Costs:	$280,993
True Costs:	$1,858,494

Retirement

Operating Budget:	$0
Benefit Costs:	$149,412
True Costs:	$149,412