Fiscal Policy Subcommittee Minutes 1/7/14

Attending:

Kevin Lang

Carol Levin

Absent: Chad Ellis

Also present: Sean Cronin & Stephen Cirillo

The Town of Brookline GASB OPEB report of June 30, 2012 was reviewed and discussed. Stephen Cirillo explained that the report is now out of date, and the assumptions have changed.

The Town is currently expecting to meeting the ARC in FY 2020. Until that time the shortfall in funding (ARC – actual payment) becomes a liability on the town's balance sheet. The Town currently increases its OPEB payment by $250,000 annually, and intends to continue doing so.

Currently there is no law requiring the Town to fund OPEB's. GASB 43, however, recommends doing so. Stephen expects at some point in the future OPEBs will be required by law to be funded, creating a situation similar to pension benefits. He sees two benefits in addressing this future liability now.

1) The sooner the ARC is met and exceeded, the sooner the unfunded liability will be retired. Retirement of both the Pension and OPEB liabilities will make significant funds available for Town operations.

2) When the funding of OPEB liabilities becomes law, the Town will have limited discretion in how long they will have to be funded. The smaller the unfunded liability at the time a law is enacted, the smaller the impact on the Town's budget.

The Town started making payments toward OPEB's in 1999.

When the unfunded pension liability is retired (estimated in 2030) , approximately $30 million annually will be available for other purposes. Stephen recommends at that time allocating the $30 million to fund OPEB's. That allocation would retire the OPEB liability by 2038.

We then discussed how increasing the portion of the CIP financed by debt would interact with other Town policies. Sean expressed concerns about the total amount of debt the Town would be carrying and questioned the impact of a change in policy on capital project planning.

We concluded the total amount spent in a year on capital projects would remain unchanged, but to the greatest extent possible the “pay-as-you-go” portion of the CIP would be financed, with the associated debt service being “charged” against OPEB payments.