

NOVEMBER 13, 2006 SPECIAL MEETING

The Wethersfield Town Council and the Board of Education held a special meeting on November 13, 2006, at 6:00 p.m. in the Conference Room of the Board of Education Stillman Building, 127 Hartford Avenue, Wethersfield, CT.

Present: Councilors Adil, Cascio, Drake, Forrest, Kirsche, Kotkin, Walsh, Deputy Mayor Fortunato and Chairperson Morin. Board of Education members: Hodges, Roberts, DeAngelo, Montinieri, Malic, and Stanziale (Tristan).

Also present: Town Manager Bonnie Therrien, Superintendent of Schools Patrick Proctor, Supervisor of Maintenance Maurice McCarthy, Director of Public Works Mike Turner, Police Chief Cetran, Officers Reagan and Dillon, Director of Finance Lisa Hancock, Insurance Agent Chris Monroe, Insurance Committee members Adil, Fortunato, and Moon, and Town Clerk Dolores G. Sassano.

All stood for the pledge of allegiance to the flag which was led by Board of Education Chairperson Hodges.

Facilities Maintenance Database Update

Town Manager Bonnie Therrien explained that Mr. Turner and Mr. McCarthy continue their tour of all Town buildings and are present this evening to provide an update on their inspections.

Mr. Turner distributed a written report and stated that there are only two buildings remaining to be inspected; the Solomon Wells House and the Eleanor Buck Wolf Nature Center, and that these would be completed in the next week to ten days. He said that the next step is to complete the physical entry of data collected to develop customized reports, and that it is their goal to have all data entered before the end of calendar year 2006 to allow time to prepare reports for the CIP Budget preparation for this year. Mr. Turner explained that the results of a bid for a CIP Roof Inventory/Preventive Maintenance Program will be brought before the Town Council at their November 20, 2006 regular meeting.

Councilor Walsh asked Mr. Turner if Tremco is competent to provide services for all kinds of roofing. Mr. Turner said that they have expertise with all the types of roofing required by the Town.

Councilor Kotkin asked Mr. Turner if there is anything in the Facilities Maintenance Database that will significantly change the estimates for the 2007-2008 Capital Budget. Mr. Turner stated that the price of any materials that are petroleum based will be increasing significantly, as well as the cost of concrete and roofing supplies going up. Councilor Kotkin asked about the scope of the work and Mr. Turner stated he thinks they have a good handle on it and he does not expect to see any big surprise there.

Councilor Adil verified with Mr. McCarthy whether there is funding available to re-roof the press box at Cottone field. Mr. McCarthy said that there is money in the budget and Hallisey Engineering is doing a work up on the estimated costs to address it this year. Council Adil asked if the work will commence next Spring and thought that volunteers might be doing some of the work. Mr. McCarthy stated he would have to see the scope of the work and if staff or paid professionals would be needed to complete the work.

Ms. Montinieri asked if the data input is something a high school student could be expected to do. Mr. Turner stated that he has been working with Nancy Stillwell, Director of Social and Youth Services, for someone who might need to do community service before contacting the high school.

Councilor Cascio asked Mr. Turner if in preparing the inventory, he has found any additional CIP items to be completed. Mr. Turner said that he and Mr. McCarthy did not come upon any major surprises. Councilor Cascio asked if, in preparing the inventory, he has come across any particular project that needs to be pushed up on the priority list. Mr. Turner stated that he cannot think of any items.

Deputy Mayor Fortunato stated that although this is still in the data collection and input stage; she sees a role to be played by the Capital Improvement Advisory Committee in utilizing the inventory list and its analysis. Mr. Turner said that last week they kicked off the CIP process and the inventory report will play a role in the CIP budget.

Chairperson Morin suggested to the Town Manager that she look into the Senior Net program of volunteers to input the data. He thanked Mr. Turner and Mr. McCarthy for their work and said that he looks forward to the results.

Security at Schools

Board of Education Chairperson Hodges stated that this subject is a fine example of the Board of Education and the Council working together through the Police Department.

Dr. Proctor echoed Ms. Hodges' comments saying that the Police Department has responded to recent challenges quite effectively and efficiently. He said that immediately following the high profile incident at Wethersfield High School last year, there was a major allocation of security resources both inside and outside the High School, and that there are still remaining upgrades for this year.

Mr. McCarthy provided an explanation of the Wethersfield Public Schools security upgrades completed this year. He stated that security upgrades at the Elementary Schools to be wrapped up prior to Thanksgiving include each school having a main entrance intercom and buzzer, a closed circuit TV camera, and electric front door lock release to be operated by the main office staff. Mr. McCarthy said that the Silas Deane Middle School will include the same front entrance upgrades and meetings have been held with outside contractors to look at internal and external closed circuit TV cameras and monitoring systems. He stated that forty-three closed circuit TV cameras with recording capability have been installed throughout public areas at Wethersfield High School, and that a security desk has been created at the main entrance for monitoring and visitor sign in where the visitor leaves their car keys or license until their visit is done. Mr. McCarthy explained that a Security Committee meets once a week at the High School and that the entire High School building has been re-keyed and the new keys cannot be duplicated. He said that a swipe card entry system has been instituted to reduce the number of keys needing to be distributed.

Ms. Malec thanked Mr. McCarthy and his staff for all the work they accomplished over the summer and for getting the security upgrades up and running. She asked what the procedure is if a person leaves their car keys or license at the security desk and does not return to pick them up and was told that this has yet to happen, although it would be treated as a criminal incident and the person would be tracked down. Ms. Malec asked if the sign-in includes that the visitor indicate where it is they are going, and Mr. McCarthy said that it does and that the visitor must wear a "visitor" sticker.

Councilor Cascio stated that the security measures at the schools are something Wethersfield should be very proud of and that it is a proactive approach to security in the Wethersfield community. He said that it is of utmost importance that the students, faculty and employees of Wethersfield schools feel secure, and he hopes that the security measures taken will ease the minds of those in the Wethersfield district. Councilor Cascio verified that with these security measures taken, Wethersfield is presently a step ahead of other districts. Dr. Proctor stated that it is anticipated that legislation will be introduced this session for entitlement grants for security infrastructure, and it is hoped that Wethersfield will have access to some of this funding. Councilor Cascio asked if the faculty at the schools have been made aware of the security changes. Dr. Proctor answered that the faculty is well aware of the changes since they are directly impacted and involved.

Deputy Mayor Fortunato asked if anything is being done, perhaps through the State Department of Education or the Department of Mental Health and Addiction, to help staff identify the warning signs of students who have issues. Dr. Proctor answered that he is not aware of professional development on the State level; however, in Wethersfield and many other districts, there is ongoing attention being paid to the telltale signs of student behavior. He said that the legislation to be introduced is expected to include funding for staff support.

Town Manager Therrien commented that it is very important that the Police Department be strongly involved with recommendations and participate on security measures as well as on the Security Committee.

Councilor Cascio asked if security measures have been looked into with regard to Town buildings other than the schools, such as the Town Hall, Library, and Board of Education Administrative Offices. The Town Manager stated that this has not been looked into yet. Dr. Proctor stated that the Stillman Building, in which tonight's meeting is being held, is secure in that there is a touch pad entrance and exit system in place. Councilor Cascio asked if it may be necessary to include in future projects the security of the Town Hall and Library. Town Manager Therrien said that with regard to access to offices, there are very few master keys distributed to allow this, and that it is difficult to limit access since the Town Hall and Library require public access. She said that there is already limited access to the Social and Youth Services Department and that she could look into what other Towns in the area are doing.

Police Chief Cetran complimented the Board of Education for keeping the Police Department involved in the security process, and stated that the Police Department has always attempted to cooperate in every way possible. He said that he is very proud of the measures taken thus far.

Chairperson Morin stated that as a parent he appreciates communication from the schools regarding security measures being taken. He commented that the Resource Officer's presence at the High School has proved to be a positive measure.

Actuarial Results Report - GASB 45 - Becky Sielman - Milliman

Ms. Sielman stated that in the Spring she came before the Council to explain GASB45 and reiterated that GASB is the Government Accounting Standards Board which governs how municipal financial statements are written and GASB has stated that municipalities need to account for the liability for retiree medical benefits. She said that there are three types of benefits provided to retirees and that the liability for this needs to be measured along with a calculation of an annual contribution to pay for these benefits as they are being earned by employees as well as benefits already earned by retired employees who are receiving the benefits. Ms. Sielman stated that the term "retiree medical" will refer to all of the benefits for Wethersfield required to be accounted for under GASB45, including dental and life insurance. She said that Wethersfield is considered a "Phase 2" government, which means that Wethersfield needs to comply with GASB45 requirements for financial statements for the fiscal year ending June 30, 2009, and that a significant decision facing the Town of Wethersfield is whether or not the Town will set up a trust to start pre-funding the benefits in the same way the pension trust has already been set up. Ms. Sielman stated that once a decision has been made to set up a trust, the finalization of a discount rate, or the interest rate used to calculate the liabilities, can occur. She said that the liability will be twice as high if a trust is not set up to pre-fund the benefits. Ms. Sielman stated that the best metaphor to be used is to think of the retiree benefits and GASB45 in terms of "IOU's" handed out to employees every year stating that the Town will provide each of them with retiree medical benefits. She said that these "IOU's" have significant value in terms of the benefits they will provide to employees and that the value of this year's "IOU" is referred to as the "normal cost", and that the pile of "IOU's" for all current and retired employees has a value which is referred to as "accrued liability". Ms. Sielman explained that the Town is currently only accounting for the cost of an employee who retires and is now eligible for retiree benefits (the normal cost) and the pile of "IOU's" which have piled up over the years for employees who have already retired (the accrued liability). She said that the "accrued liability" can be paid for between 10-30 years, with most municipalities opting for a 30-year payment plan. Ms. Sielman stated that there is no requirement to set up a trust and pre-fund the benefits or to do anything other than what the Town is already doing which is to pay benefits to retirees when they come due; however, there is a requirement to calculate the amount of the contribution and the liability and disclose those amounts in the Town's Financial Statement. She said that if the Town chooses not to pay the contribution, there is a score being kept which provides for a sizeable negative amount on the Town's balance sheet which multiplies each year. She said that because of this, many communities are encouraged to set up a trust. Ms. Sielman stated that she has provided to Town Manager Bonnie Therrien, Finance Director Lisa Hancock, and Board of Education staff, a Summary of Plan Provisions and Summary of Demographic Assumptions. She briefly reviewed this and provided a presentation regarding assumptions for Town of Wethersfield Other Post-employment Benefits Program 7/1/2006 Valuation Results for both a Funded Scenario and an Unfunded Scenario.

Councilor Kirsche asked if the Town receives any difference in score by the credit rating agencies if a flat rate is set aside in a Trust. Ms. Sielman said that she has not heard anything to this effect, and that the most important thing in the early years of GASB45 is whether or not the Town has a plan, has had an evaluation and has decided whether or

not to set up a trust. She said that, in the short term, the actual numbers aren't important; however they will be eventually. She said that a level payment amount percentage of the overall budget will be somewhat higher now and somewhat lower later. Councilor Kirsche asked if there are any negative ramifications of setting aside a trust and Ms. Sielman said that she has never heard even a hint of any negative ramifications. She said that the big shocker, if the Town does not set up a trust to pre-fund the benefits and come up with \$4.3 million in the budget with a 4% discount rate, the unfunded liability will be \$90 million with an annual required contribution of \$7 million. Ms. Sielman said that this amount won't be paid out if a trust is not set up, but rather will show up as a negative on the Town's balance sheet.

Councilor Drake asked why the Annual Required Contribution doubles the next year. Ms. Sielman said that the number escalates for each year the annual required contribution is not paid into a fund. She said that not setting up a trust and pre-funding makes it look like the Town has twice as much of an unfunded liability for the bond rating agencies to see, and will affect the Town's borrowing cost since it will appear that the Town has a lot more long-term debt than previously.

Councilor Cascio asked if the information being provided by Ms. Sielman is just for the Town side or for the Board of Education and Town combined. Ms. Sielman said that the information is broken down into the categories of Police, Town, Board of Education Administration, Teachers, and Board of Education Others, as well as categories of accrued liability for current employees, current retirees, unfunded accrued liability, the amortization payment, and normal cost to come up with the Annual Required Contribution.

Board of Education Vice-Chairperson Gerri Roberts clarified that the Town needs to set up a trust and continue to put in \$4.2 million each year. Town Manager Bonnie Therrien said that this is what is being recommended; however, the Town does not have to do this. Ms. Roberts asked if this number can change based on the benefits in the Union Contracts each year. The Town Manager said that the actuaries will be updating the numbers every three years.

Ms. Sielman stated that the Town's budget will increase by less than the \$4.3 million each year because the Town will then have a trust to pay out benefits to retirees; therefore there is only a net impact on the budget.

Councilor Cascio commented to Ms. Sielman that she has indicated that the Town side has close to \$1 million since the employees have contributed into the health benefits, and he asked if there is money on the Board of Education side for this. Both Town Manager Bonnie Therrien and Ms. Sielman said that there is not. Councilor Cascio stated that he is a bit confused because there are times Ms. Sielman refers to "Town only" and then times when she mentions "combined Board and Town". He said that the Town has one major budget which is divided between the Town, the Board of Education and the Library, and he asked who benefits from the trust. Ms. Sielman said that the trust gets used to pay the bill for the retiree benefits for the Town, the Board of Education, the Police; everybody. Councilor Cascio asked if the Board of Education employees are benefiting from the money put into the trust by Town employees. Town Manager Bonnie Therrien said that the Town keeps track of who contributed what amount. She said that the Police employees will not be paying for the teachers, and this is what Councilor Cascio said concerns him. Ms. Sielman clarified that all of the Town unions contribute at different rates into the Town's Pension Trust with the Town and Board of Education contributing to make up the difference between the total cost and the portion being paid by the employees. Councilor Cascio verified that as of 2006, there is only one group doing this on the Board side for retiree benefits, and Ms. Sielman said that this is so. She said that the lion's share of the cost of the benefits is not being paid for by employee contributions, but rather by the Town and Board of Education budgets.

Mr. DeAngelo asked if the IOU costs can be quantified for each individual employee. Ms. Sielman said that this can be done and that the numbers on her reports are the sum of individual numbers. She said that spread out over the numbers are 587 active members, 384 retired members, and 104 dependents. Mr. DeAngelo asked if there will be Union contract ramifications if the Council chooses to allocate actual funds for the employees. Ms. Sielman stated that this is a very good question, but that she cannot answer it since it is a legal question and is a topic that will be addressed at an upcoming seminar which will be attended by Finance Director Lisa Hancock. Town Manager Bonnie Therrien stated that Union representatives have already expressed to her that they are aware that GASB45 will have a huge impact on Union negotiations. She said that she plans on having Ms. Sielman's presentation given to all of the Union officers so that they can have a better understanding before negotiations begin.

Ms. Roberts asked if GASB45 is also being applied to State employees, or just municipalities. Ms. Sielman said that it is being applied to every public entity.

Councilor Drake asked if the Council decides not to fund this, what the ramifications will be of the Town's credit rating going down a little bit. He said that a slight raise in the interest rate certainly will not amount to anything close to \$4 to \$5 million. Town Manager Bonnie Therrien said that she can provide the Council with information on the interest rates pertinent to the last bond sale.

Ms. Roberts asked if this will affect the bonds that were already sold and she was told that it will only affect future liability.

Ms. Sielman stated that setting up the Trust to pre-fund the benefits is a pay-now instead of pay-later approach to the Town's promise of these benefits. She said that paying more now allows for investment income to help pay for the benefits in the future.

Mr. DeAngelo asked how a reasonable discount rate is determined. Ms. Sielman said that an actuary advisor takes a look at the long-term structure of the benefits when they'll be paid and based on that picture the Town will work out with its investment manager what the appropriate set of investments that will maximize returns while minimizing risks. She said that once the Town settles on an investment allocation, her company, Milliman, will decide what the discount rate will be. Mr. DeAngelo verified that the 8% discount rate in the Valuation Results for a Funded Scenario is not necessarily a definite figure, and Ms. Sielman said that 8% will be appropriate if it is concluded that the best investment allocation for the Town of Wethersfield Retirement Medical Trust is 60% equity to 40% fixed income. She said that the discount rate will be altered if this percentage allocation is changed.

Dr. Proctor asked if there is an option of partial funding of the Trust or if there has to be either full funding or no funding. Town Manager Bonnie Therrien stated that after attending a recent conference regarding GASB45 it was discussed that they want to see a plan and that an actuarial study has been done. She said that, in the beginning, partial funding will be alright; however, there would be higher funding required in the future. Ms. Sielman said that the funding will take place on a phasing in process with 20% being funded the first year, 40% the next year, up to 100% over five years. Dr. Proctor stated that the Town is currently paying \$7.5-\$8 million per year for health insurance and that approximately one-third of that amount pays for retiree benefits, which seems very high to him. Ms. Sielman said that this relates to the COBRA premium and the headcount of active and retired members.

Chairperson Morin asked the Town Manager what the next step in the process will be. The Town Manager said that the appropriate Town staff needs to sit down with Dr. Proctor and his staff to look at a few different scenarios and determine a recommendation after the first of the year. She said that this is a policy decision to be made.

Councilor Drake asked if the chart for Projected Benefits for Current Members - Unfunded Scenario in the presentation indicates the 2015 dollar amounts in 2006 dollars or if the amounts include inflation. Ms. Sielman answered that the amounts include medical inflation. He said that going from \$3 million to \$5 million over ten years doesn't seem bad since taxes will certainly double in that amount of time anyway. Ms. Sielman stated that the amount actually triples for most Towns, and that Wethersfield doesn't quite double, which shows that there are a lot of people receiving benefits. Councilor Drake stated that the pay-as-you-go option doesn't look so bad after all. Ms. Sielman stated that the option chosen is up to each community to decide.

Councilor Forrest asked if it possible to receive information on the net effect on the budget. The Town Manager said that this information can be provided for the different scenarios.

Councilor Kotkin asked for an explanation of the assumption of what Medicare picks up vs. how much the retiree plans pick up for those over sixty-five years of age. Ms. Sielman stated that when the numbers are crunched, this information is not looked at as a percentage reduction in terms of what percentage Medicare is paying. She said that she can look up these amounts; however, she does not immediately have the information.

Councilor Cascio asked why this whole topic of GASB45 has recently surfaced since retiring employees has been happening for years. Town Manager Bonnie Therrien said that this has come to light due to what has happened in the

private industry with health benefits being taken away.

Chairperson Morin thanked members of the Insurance Committee for taking the time to be present at tonight's meeting. He also thanked Ms. Sielman for her presentation.

Ms. Sielman thanked Town and Board of Education Benefits Department staff for their assistance in providing relevant data.

Chairperson Morin stated that this meeting is the last "Fireside Chat" over which he will have the opportunity to preside. He thanked everyone for their hard work and dedication.

ADJOURNMENT

At 7:30 p.m., Council Adil moved "**TO ADJOURN THE MEETING**" seconded by Councilor Kotkin. All Councilors present, including the Chairperson voted AYE. The motion passed 9-0-0.

Dolores G. Sassano
Town Clerk

Approved by vote of Council 12/4/2006