

2019 03 06 Human Resources Subcommittee Report on FY20 Human Resources and Benefits Budgets

The Personnel Subcommittee of the Advisory Committee held a public hearing on March 6, 2019 at 8:30 a.m. to consider the FY 20 budget requests for the Human Resources Department and Personnel Benefits. In attendance were subcommittee members Janet Gelbart, Carol Caro, Chuck Swartz, and Christine Westphal; and Deputy Town Administrator Melissa Goff. (Police Chief Andrew Lipson attended the first part of the meeting to review the collective bargaining agreement with the Police Union which will be covered in a separate report.)

Human Resources Budget

The Human Resources budget is found on page IV-6 of the FY 20 Financial Plan. The budget proposal of \$653,495 represents a decrease of 24,773 (-3.7%) over the FY 19 budget. The line item changes are: an increase of \$227 (.1%) in Personnel (the net of increased steps of \$3,272, increased charge-offs to the Workers Compensation and Group Health Trust Funds of -\$1,794, and a reduction of longevity pay of -\$1,250); and a reduction in legal services of \$25,000.

PROGRAM COSTS - HUMAN RESOURCES DEPARTMENT					
CLASS OF EXPENDITURES	ACTUAL FY2018	BUDGET FY2019	REQUEST FY2020	FY20 vs. FY19	
				\$ CHANGE	% CHANGE
Personnel	399,899	313,419	313,646	227	0.1%
Services	321,029	311,809	286,809	(25,000)	-8.0%
Supplies	15,535	20,400	20,400	0	0.0%
Other	17,479	31,000	31,000	0	0.0%
Capital	1,640	1,640	1,640	0	0.0%
TOTAL	755,582	678,268	653,495	(24,773)	-3.7%
BENEFITS			329,997		
REVENUE	0	0	-	0	0.0%

The Subcommittee **voted unanimously (4-0-0)** to recommend approval of the FY 20 Human Resources Department proposed budget of \$653,495.

Discussion

Deputy Town Administrator Melissa Goff indicated that this is a level services budget to support the department's ongoing activities. The search for a new HR Director has been difficult due to a general lack of qualified HR practitioners. Assistant Director Leslea Noble has been covering many of the duties and is relying on outside counsel for support on contract issues until Town Counsel can hire a labor attorney as approved by Town Meeting in November. Consequently, no savings are expected in the HR budget for outside counsel during FY 19. The FY 20 budget includes only a modest reduction (\$25,000) to the outside counsel

line because the transition to in-house labor counsel is occurring more slowly than anticipated.

Ms. Goff gave the subcommittee a heads up about a potential reserve fund transfer request to cover the cost of pre-employment physicals for the 12 firefighter recruits. A similar request was funded in 2018 when the police had an unusually large incoming class.

Subcommittee members had several questions related to the department's workload indicators. The projected cost of workers compensation claims has increased due to some recent settlements which are also reflected in the Personnel Benefits budget. Long-term disability claims are expected to increase from 30 to 106 because of the FY 19 addition of a long-term disability policy to cover members of the Department Head, Senior Administrator and Mid Manager Classification Plan.

Personnel Benefits

The Personnel Benefits Budget found on page IV-127 of the FY 20 Financial Plan has been revised as shown below to reflect the final group health insurance rates from the GIC. The budget proposal of \$66,295,696 represents an increase of \$3,249,677 (5.2%).

PROGRAM COSTS					
CLASS OF EXPENDITURES	ACTUAL FY2018	BUDGET FY2019	BUDGET FY2020	FY20 vs. FY19	
				\$ CHANGE	% CHANGE
Pensions - Contributory *	21,434,185	23,144,765	24,915,433	1,770,668	7.7%
Pensions - Non-Contributory	85,173	30,000	0	(30,000)	-100.0%
Group Health Insurance	29,055,009	30,746,239	31,507,881	761,642	2.5%
Retiree Group Health Fund (OPEB's) *	4,480,080	4,570,465	4,781,980	211,515	4.6%
Employee Assistance Program (EAP)	22,825	28,000	0	(28,000)	-100.0%
Group Life Insurance	132,145	145,000	145,000	0	0.0%
Disability Insurance	13,436	46,000	46,000	0	0.0%
Worker's Compensation *	1,450,000	1,450,000	2,050,000	600,000	41.4%
Public Safety IOD Medical Expenses *	200,000	200,000	0	(200,000)	-100.0%
Unemployment Compensation *	200,000	200,000	200,000	0	0.0%
Public Safety Medical Disability	15,709	40,000	40,000	0	0.0%
Medicare Payroll Tax	2,228,723	2,445,551	2,609,403	163,852	6.7%
TOTAL EXPENDITURE	59,317,285	63,046,019	66,295,696	3,249,677	5.2%

The Subcommittee **voted unanimously (4-0-0)** to recommend approval of the FY 20 Personnel Benefits Budget of \$66,295,696.

Discussion

Contributory Pensions increase to \$24,915,433 reflecting the new actuarial schedule and a 7.2% rate of return, down from 7.4%. The Town remains on track to fully fund its pension liability by 2030. There are no longer any recipients of Non-contributory Pensions, so that line has been reduced to 0.

Final GIC rates for group health insurance are approximately \$200,000 less than originally budgeted. Once the Administrative charges from the GIC are finalized, this amount will be split between the Town and School budgets based on the number of participants in each plan

The assessment on grants/special revenue funds to support OPEB's is down slightly from 2019 because the School Food Service Revolving Fund can no longer sustain the fund transfer.

The Employee Assistance Program is now offered through the GIC and has been discontinued as a separate benefit from the Town.

The Town is self-insured for Workers' Compensation, Public Safety Injured on Duty (IOD) Medical Expenses, and Unemployment, and maintains separate funds for each of these purposes at a level equal to one-year's prior expenses. Recent settlements for Workers' Compensation have depleted the fund resulting in an increased appropriation of \$600,000 in FY 20. Some of the shortfall has been covered by a reduction in contribution to the Public Safety IOD Medical Expenses fund which has had a stable balance over the past few years.