

FINANCE SUB-COMMITTEE

Minutes of December 12, 2011 Meeting

Sub-Committee Members Present: Mr. Bahou, Mr. O'Hare, Mr. Olson, Mr. Tully

Others Present: Mr. Laferriere, Mr. Lenzi, Mr. Morin, Mr. O'Neill, Superintendent-Director Santoro, Assistant Superintendent/Principal Robert Lussier, George Garabedian, Kathy Tierney, Recording Secretary

Meeting was called to order at 6:06 p.m.

Sub-Committee roll call: Present – Mr. Bahou, Mr. Olson, Mr. Tully

Mr. O'Hare arrived after roll call.

Chairman Tully stated there were three items on the agenda: Health Insurance update, Stabilization Fund Process and FY13 Budget Status. Mr. Tully asked Mr. Garabedian to take the Health Insurance update last.

Stabilization Fund Process

Mr. Garabedian stated that he had been asked for information on establishing a stabilization fund. The first step would be for the School Committee to vote to establish the stabilization fund. Secondly, the member communities must vote to approve establishing the fund (need majority vote of member communities). The District may include a line item in each year's annual budget to transfer into the stabilization account. The annual amount cannot exceed 5% of the aggregate amount apportioned to the member municipalities for the preceding fiscal year.

The main purpose of the fund would be to fund future capital projects which would be difficult through the normal budgeting process such as use of E&D.

It was consensus, based on the current building renovation project that Greater Lowell would not establish a stabilization fund at this time.

FY13 Budget

Mr. Garabedian informed the Board that beginning with the FY13 budget a new regulation is being implemented as required by the Massachusetts Department of Education. Regional schools must have their budget approved 45 days prior to the first scheduled Town Meeting of the member communities or by March 31, whichever comes first. Based on Dunstable's Town Meeting, Greater Lowell's School Committee would have to vote on the budget by March 29, 2012. Questions arose as to the availability of final budget information from the Department of Revenue (Cherry Sheet).

Enrollment numbers for the FY13 budget have an increase of 58 students. Dracut has an increase of 3, Dunstable a decrease of 2, Lowell an increase of 68 and Tyngsboro a decrease of 11.

Health Insurance Update

Mr. Tully distributed an email he had received immediately prior to the meeting from Attorney DiPietro regarding health insurance options.

Kathy Tierney and George Garabedian presented a brief overview of the Municipal Health Care Reform Law. They talked about the Health Trust that Greater Lowell belongs to. On a yearly basis the Trust reviews the health plans looking for cost savings through design changes or deductible changes. The trust reviewed "GIC like plans" as well. Plan changes have to be voted on by the management representation and the labor representation of the Health Trust with both groups in agreement. Some Health Care Trust members did not like the "GIC Like Plan" versus the current Blue Choice.

Recently the Trust was provided information from BC-BS regarding their current "GIC Like Plans" compared to the current Trust plan offerings. After review based on reaction from a few Trustees in attendance, it did not appear that the "GIC Like Plans" would receive support from all Trustees for the FY13 renewal since the change is significant. In addition, the "GIC Like Plan" for the current Blue Choice plan is pending the Division of Insurance approval and not ready to be offered.

Another option to save money on health insurance is for GLTHS to join the GIC. To join the GIC the employer must demonstrate it can save at least 5% more by joining the GIC than by making plan design changes. Notice to join the GIC must be received by the GIC on or before December 1 to be effective the following July 1. Due to the procedural requirements under the new statute, it is unlikely that Greater Lowell would be able to make any transfer until July 1, 2013.

Cost analysis prepared by Trust Insurance Consultant (attached as part of these minutes) shows the District could save \$1,003,329 annually if the District opts to join the GIC. This assumption is based on an assumption of a certain plan migration by employees to plans provided by the GIC, a middle of the road plan. Kathy Tierney and George Garabedian provided a comparison of the GLTHS existing plans and the GIC Benchmark Plan that provided many differences in the costs, deductibles and co-pays that members would be required to pay.

To join the GIC, Greater Lowell would have to withdraw from the Health Trust. There may be no cost to withdraw from the trust. By being a member in the Trust, the School District was required to provide a working deposit that is used for cash flow purposes to pay the monthly premium. The language in the Trust Participation Agreement was intended to allow a terminating district to apply the deposit towards the final premium due.

In addition to the deposit, plan assets have increased due to federal subsidies received and deposited into the Trust which is approximately \$1,000,000. Currently in the Trust Document there is no allocation provision for these assets. The District's enrollment is approximately 36% of the total number of subscribers in the Trust so that if a future allocation of these funds is defined within the Plan Document based on subscriber enrollment, it is unclear if GLTECH would forfeit their share of this asset. District legal counsel is looking into whether Greater Lowell would be required to forfeit its share (approximately 36%) of the Health Trust's accumulated excess assets, which are currently approximately \$1,000,000. Ms. Tierney & Mr. Garabedian hope to have answers from Legal Counsel at the next trust meeting.

Ms. Tierney and Mr. Garabedian have a Health Trust meeting on December 14. They will inform Mr. Tully of any new information they receive at that meeting.

The committee discussed the cost shifting from GLTHS to District employees if there was a simple change in the employer/employee contribution rate of 85%/15% to an 80%/20% (employer/employee). Based on the existing plan a change in the formula would save the GLTHS District about \$230,000 per year.

Mr. O'Neill stated he thinks a vote should be taken at the January School Committee meeting to join the GIC.

The cost saving analysis provided by the Health Trust Consultant is included as part of the minutes of the December 12, 2011 Finance Sub-Committee meeting.

Mr. Bahou left before adjournment.

MOTION: by Mr. Olson, seconded by Mr. O'Hare to adjourn at 8:13 p.m.

ROLL CALL VOTE: 3 Yes, 1 Absent (Mr. Bahou)