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May 21, 2009

REPORT OF THE COMMITTEE ON FINANCE
MEETING AS A COMMITTEE OF THE WHOLE

The Committee on Finance convened on May 21, 2009, as a Committee of the Whole with Chairman Maryann Heuston presiding and Committee Members Aldermen Bruce Desmond, Rebekah Gewirtz, John Connolly, Dennis Sullivan, Thomas Taylor, Robert Trane and William White also present and voting. Also present were Administrative Assistant Jessie Baker, Budget Analyst Nat Dias, Personnel Director Richard Tranfaglia, City Solicitor John Gannon, Assistant City Solicitors Matt Buckley and Robert Collins and Finance Director Edward Bean.

Aldermen William Roche and Walter Pero recused themselves from the meeting.

Mr. Dias addressed the committee and spoke about the gravity of the city's economic situation and he reviewed step taken by the city to adjust to the current economic climate. One of the major costs the city has to contend with is health care insurance, and Mr. Dias pointed out that this expenditure keeps escalating. The current cost to the city is \$30 million per year, or 15% of the entire city budget, with a \$4 million dollar increase expected this year. Presently, the city pays 93% of retiree health care costs and 84% for active employees. When compared to other municipalities, Somerville's health care contributions are substantially higher. Accordingly, the city is seeking to adjust health care contributions to 75% by the city and 25% by members. Additionally, the city is attempting to amend the retiree contribution level to 60% for the city's Major Medical (Indemnity) Plan and to amend the retiree contribution level to 75% for the city's HMO and PPO plans. The city's goal in this effort is to preserve healthcare access and quality of care for all retired and active employees through the use of more efficient, lower cost/equal coverage plans, to minimize layoffs and cuts in core services and to share the economic burden across all stakeholders. Mr. Dias noted that, for the first time in the city's history, the increase in health care costs would exceed the allowable levy growth under Proposition 2 ½. The city, in cooperation with union and non-union employees, will save \$3.1 million through wage freezes, furloughs and health care contribution adjustments. Mr. Dias explained that delaying implementation of the new contribution levels for retirees would cost the city \$300,000 per month.

Mr. Buckley discussed the city's options pertaining to hardship cases and a phased-in approach and said that M. G. L. places restrictions on the city in that all classifications must be applied uniformly.

Alderman White asked about the effect on retired seniors who are on fixed incomes and might not be able to afford the premium increase and he asked about participation in Medicare, Parts A and B. The committee was informed that school teachers would not be able to participate in Medicaid Part A at no cost since they did not pay into social security.

Ginger Hastings, from GBS Consulting, discussed the available options available for retirees and stated that they would still have access to their primary care physicians. Mr. Tranfaglia discussed a letter that will be sent to retirees informing them of their available options in this matter and he also spoke about workshops being planned where retirees could obtain additional information directly from health care providers and Social Security representatives. He also encouraged family members to assist retirees in the decision making process.

Alderman Gewirtz asked why some employees are going to a 85/15 split while retirees are going to a 75/25 split and she expressed her fear that people would become homeless. Mr. Tranfaglia replied that most municipalities are at a 75/25 split and that the city's non-union employees are also at a 75/25 split.

Chairman Heuston inquired how the 75/25 split would impact the reduction of the city's deficit as compared to an 85/15 split. Alderman White asked Mr. Bean about the health insurance surplus over the last couple of years. Ms. Hastings explained that the city is self insured. Alderman White, concerned about those who can't afford the increase, also asked how the proposed changes would impact the spouses of retirees, how many people would be impacted and their ages and how many of them are on a family plan. Additionally, Alderman White asked how the city intends to deal with those who can't afford the increase. Alderman Desmond questioned how the alternative plans being offered compare to the Blue Cross plans and he asked how any savings realized from preventive maintenance could be passed on to retirees. Ms. Hastings explained that people are better served with a plan other than the Indemnity Plan. Alderman Taylor inquired about a sunset clause and Alderman Trane expressed concern about how retirees would be able to sustain their lives with these drastic increases.

The committee discussed matters before it and took action on the following 2 items:

187486: Communication from Mayor - Requesting approval to transfer \$35,000 in the Traffic and Parking Dept., from the Parking Meter Receipts Acct. to the Repairs to Highway Acct., to fund ongoing thermoplastic line painting

RECOMMENDATION: Should be approved

VOTE: Unanimous, 8 - 0 in favor

187491: Communication from Mayor - Requesting approval to expend \$12,683, raised by the Chamber of Commerce for the city's use in funding the All America City campaign.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 8 - 0 in favor

Alderman Maryann Heuston, Chairman
Committee on Finance