

Health Insurance (Excerpt from Town Managers Report – Sept. 12, 2018)

The Town has been reviewing health insurance costs, as you will note by the request this evening by the Finance Director for additional funding. In addition, we are reviewing potential changes that would either save costs, slow growth, or assist in the OPEB liability. This is always a sensitive area, and we understand and make every effort to respect that. We also understand that, at this time, the union representatives, in both public letters to the Selectmen, and in a speech given by the Teachers Union President on opening day of the schools, expressed absolute resolve in opposing any health insurance changes. In addition, some Union representatives have indicated that any Special Act changes would meet with strenuous objection. For the record, neither management, nor the executive branch, wants to upset or cause unrest or fear amongst employees or retirees.

We are merely performing our fiduciary responsibility in reviewing these escalating costs and trying to find solutions or options to help the Town as a whole (employees, retirees, taxpayers, everyone). This is a very difficult balance and one we want to handle delicately and respectfully. Due to the volatility of health insurance costs, Towns make efforts to constantly review health insurance plans and costs and make adjustments that will help offset increases, or slow growth, or save money that may then become available for other uses. Tonight we offer a presentation on fixed costs, such as health insurance, and an overview of a variety of options that can be negotiated or implemented.

Health Insurance (excerpt from Town Manager's Report – Sept. 12, 2018)

- **HEALTH INSURANCE COSTS AND EXCESS LEVY CAPACITY**
- **AND HOW THEY AFFECT PLYMOUTH'S FUTURE BUDGETS**
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- **The Finance Director and I will be discussing Health Insurance cost and trends and challenges at your upcoming Selectmen's meeting. We will also take that opportunity to discuss our excess levy capacity and overall fixed costs in the budget and impacts for our future financial plans. We will give an official presentation that evening that I will provide to you next week. We intend to cover the following:**
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- **An overall budget primer on levy limits and levy ceiling and excess levy capacity**
- **What funds are available when you annually build Plymouth's budget**
- **How do you fund increases to the budget, including employee raises**
- **How much do your taxes increase annually and why**
- **What happens when a town has no excess levy capacity**
 - **Proposition 2 ½**
 - **Overrides**
 - **Reductions in the budget – lay-offs and other cuts**
- **What are Fixed Costs and how can they be reduced?**
- **Health Insurance Costs**
- **Shared goals**

HEALTH INSURANCE COSTS
and
EXCESS LEVY CAPACITY
and
HOW THEY AFFECT PLYMOUTH'S
FUTURE BUDGETS

QUICK PLYMOUTH BUDGET PRIMER

- Tax Levy Computation – Start with Previous Years Tax Levy Limit
- New Growth and 2 ½ % (although not bound by that – good practice)
 - 6 ½ Million year to pay for increases in budget
 - *New Growth - 2019 Estimate \$2.5 Million*
 - *2 ½ % Increase – 2019 is \$4,070,287 (Based on previous years levy limit)*
- Available Excess Levy Capacity to cover other increases (as long as we have Excess Levy Capacity available)
 - *April ATM Estimate \$4.9 Million / FATM Estimate \$3 Million*

Levy Limit

Fiscal Year 2019

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2018 LEVY LIMIT

A. FY 2017 Levy Limit	155,423,807	
A1. ADD Amended FY 2017 Growth	0	
B. ADD (IA + IA1)*2.5%	3,885,595	
C. ADD FY 2018 New Growth	3,502,085	
C1. ADD FY 2018 New Growth Adjustment	0	
D. ADD FY 2018 Override	0	
E. FY 2018 Subtotal	<u>162,811,487</u>	
F. FY 2018 Levy Ceiling	252,702,769	I. <u>162,811,487</u>

FY 2018 Levy Limit

II. TO CALCULATE THE FY 2019 LEVY LIMIT

A. FY 2018 Levy Limit from I	162,811,487	
A1. ADD Amended FY 2018 Growth	0	
B. ADD (IIA + IIA1)*2.5%	4,070,287	
C. ADD FY 2019 New Growth	0	
C1. ADD FY 2019 New Growth Adjustment	0	
D. ADD FY 2019 Override	0	
E. ADD FY 2019 Subtotal	<u>166,881,774</u>	
F. FY 2019 Levy Ceiling	0	II. <u>0</u>

FY 2019 Levy Limit

To be Determined by November

III. TO CALCULATE THE FY 2019 MAXIMUM ALLOWABLE LEVY

A. FY 2019 Levy Limit from II.	0
B. FY 2019 Debt Exclusion(s)	0
C. FY 2019 Capital Expenditure Exclusion(s)	0
D. FY 2019 Stabilization Fund Override	0
E. FY 2019 Other Adjustment :	0

Levy Limit
Fiscal Year 2018

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2017 LEVY LIMIT

A. FY 2016 Levy Limit	148,423,560	
A1. ADD Amended FY 2016 Growth	0	
B. ADD (IA + IA1)*2.5%	3,710,589	
C. ADD FY 2017 New Growth	3,289,658	
C1. ADD FY 2017 New Growth Adjustment	0	
D. ADD FY 2017 Override	0	
E. FY 2017 Subtotal	155,423,807	
F. FY 2017 Levy Ceiling	236,920,819	I. <u>155,423,807</u>
		FY 2017 Levy Limit

II. TO CALCULATE THE FY 2018 LEVY LIMIT

A. FY 2017 Levy Limit from I	155,423,807	
A1. ADD Amended FY 2017 Growth	0	
B. ADD (IIA + IIA1)*2.5%	3,885,595	
C. ADD FY 2018 New Growth	3,502,085	
C1. ADD FY 2018 New Growth Adjustment	0	
D. ADD FY 2018 Override	0	
E. ADD FY 2018 Subtotal	162,811,487	
F. FY 2018 Levy Ceiling	252,702,769	II. <u>162,811,487</u>
		FY 2018 Levy Limit

III. TO CALCULATE THE FY 2018 MAXIMUM ALLOWABLE LEVY

A. FY 2018 Levy Limit from II.	162,811,487	
B. FY 2018 Debt Exclusion(s)	7,976,950	
C. FY 2018 Capital Expenditure Exclusion(s)	0	
D. FY 2018 Stabilization Fund Override	0	
E. FY 2018 Other Adjustment :	0	# 170,788,437

TAX RATE RECAPITULATION

Fiscal Year 2018

I. TAX RATE SUMMARY

la. Total amount to be raised (from page 2, IIe)	\$ 248,588,632.47
lb. Total estimated receipts and other revenue sources (from page 2, IIIe)	82,209,129.17
lc. Tax Levy (Ia minus Ib)	\$ 166,379,503.30
ld. Distribution of Tax Rates and levies	

Actual Raised

CLASS	(b) Levy percentage (from LA5)	(c) Ic above times each percent in col (b)	(d) Valuation by class (from LA-5)	(e) Tax Rates (c) / (d) x 1000	(f) Levy by class (d) x (e) / 1000
Residential	80.1937	133,425,879.74	8,106,067,682.00	16.46	133,425,874.05
Net of Exempt					
Open Space	0.0000	0.00	0.00	0.00	0.00
Commercial	8.9262	14,851,367.22	902,270,034.00	16.46	14,851,364.76
Net of Exempt					
Industrial	7.3332	12,200,941.74	741,252,873.00	16.46	12,201,022.29
SUBTOTAL	96.4531		9,749,590,589.00		160,478,261.10
Personal	3.5469	5,901,314.60	358,520,182.00	16.46	5,901,242.20
TOTAL	100.0000		10,108,110,771.00		166,379,503.30

LA5- 2nd Page

Actual Tax Levy \$ 166,379,503.30

vs.

Maximum Allowable Levy \$ 170,788,439

Excess Levy Capacity * \$ 4,408,933.70

MASSACHUSETTS DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES
BUREAU OF ACCOUNTS

Plymouth
TOWN

CLASSIFICATION TAX ALLOCATION

Fiscal Year 2018

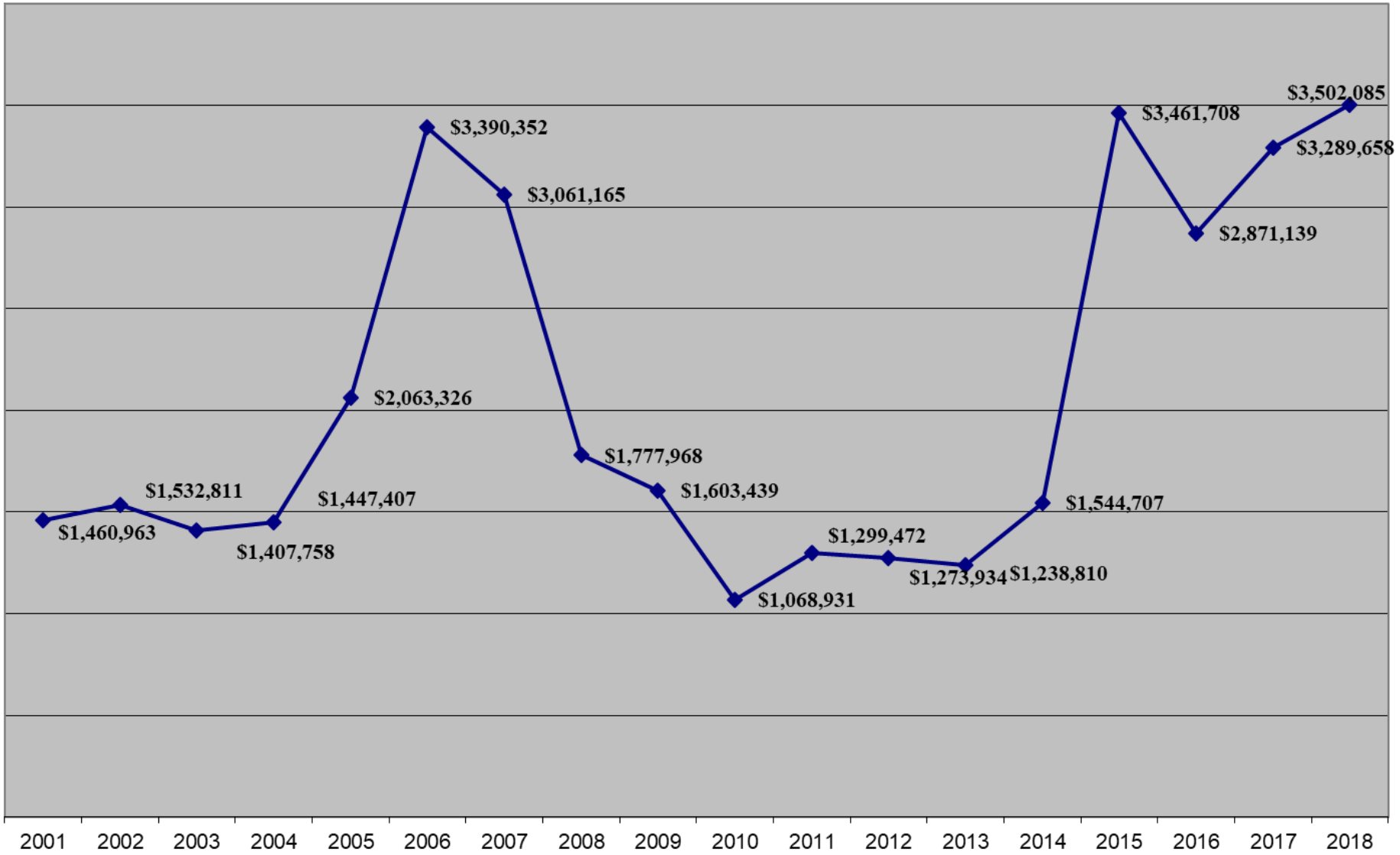
6. Notice was given to taxpayers on 12/13/2017 (date), AM (time), at Old Colony Memorial- newspaper (place), by Legal Notice (describe type of notice) that a public hearing on the issue of adopting the tax levy percentages for fiscal year 2018 would be held on 12/19/2017 (meeting date).

7. We hereby attest that on 12/19/2017 (date), 7:15 PM (time), at 26 Court St., Plymouth MA (place) in a public hearing on the issue of adopting the percentages for fiscal year 2018, that the Board of Assessors presented information and data relevant to making such determination and the fiscal effect of the available alternatives, and that the percentages set forth above were duly adopted in public session on 12/19/2017 (date).

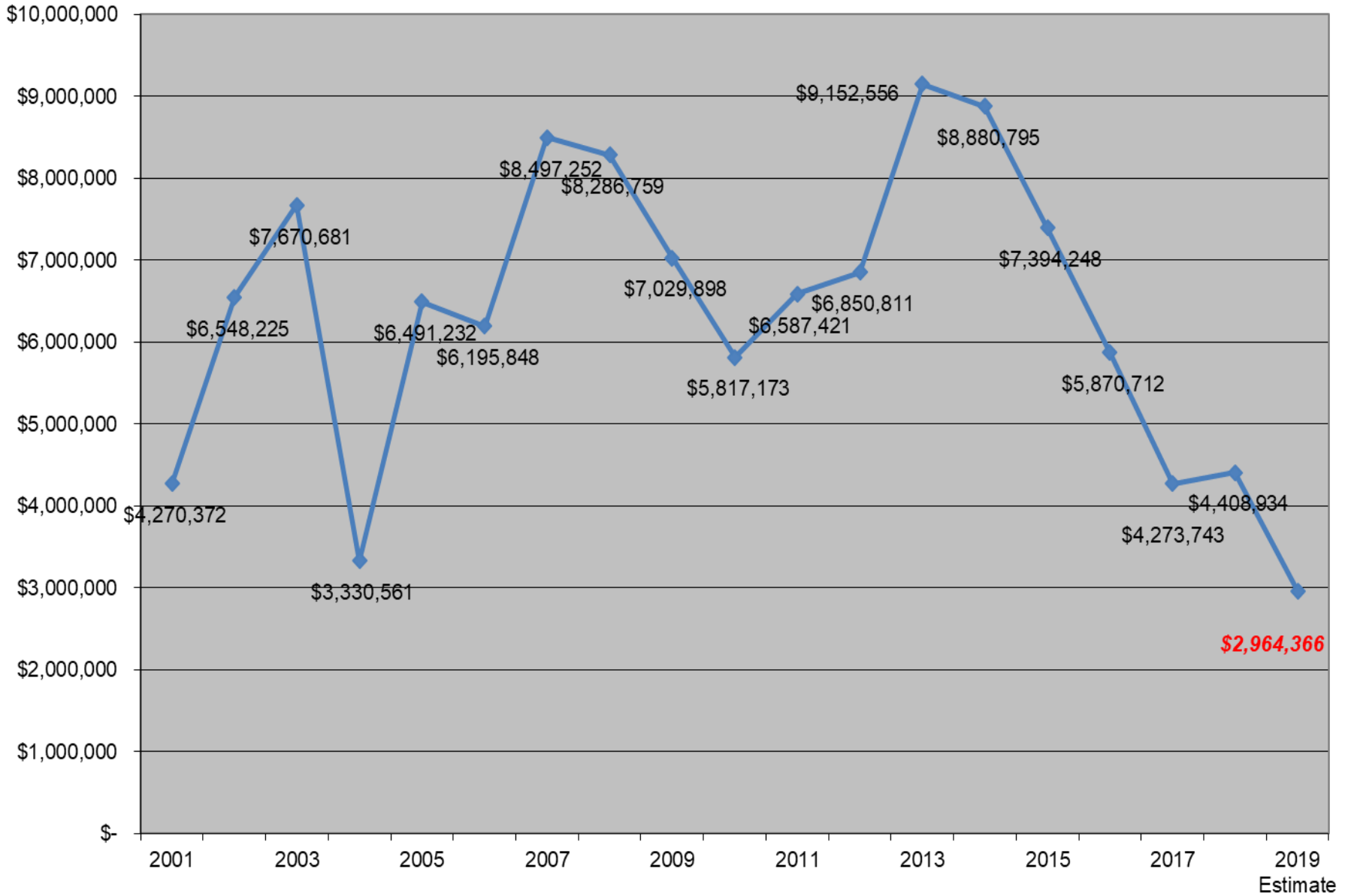
8. The LA-5 excess capacity for the current fiscal year is calculated as 4,408,933.70 *

The LA-5 excess capacity for the prior fiscal year is calculated as 4,273,742.60

New Growth Trends



Excess Levy Capacity



So We Have 6 ½ M available when we start to build a new year's budget

- This pays to cover standard increases in your budget:
 - Contractual increases in Expenses side of budget such as maintenance and software contracts
 - Fixed Costs (ie Pension, Health Insurance, Other Benefits, OPEB)
 - Salary Contract Increases
 - Step or Lane Change Increases
 - COLA Increases (potential)
- Simply stated - the 6 ½ million covers increases to “Fixed Costs” and expenses
- This equates to an approximate increase to your property tax bill of \$222/year on a \$341K Avg home
- .65 Cents per \$1,000 Value of your home

RAISES

1105 FT School Employees

+494 FT Town Employees

+294 PT School & Town Employees

- Anticipated COLA (cost of living adjustments) have been reserved in the budget; any additional COLA would still need to be appropriated
- We need \$1.19 Million for every 1% raise the school & town employees receive
- For example, the 2% raise we set aside in anticipation of resolving negotiations with the Unions costs \$2.38 Million
- Any additional COLA increase is another .12 Cents per \$1,000 value to your property tax bill - \$41 dollar additional for the \$341K Avg Home – Over and above the previous \$222

Excess Levy Capacity Review

- Currently Estimated at \$3 Million (We'll know better once New Growth is Certified)
- \$4.9 Million as of April 2018 Town Meeting--\$1.4 Million for Manomet Point Rd & supplementals
- This is a source available to pay for increases in the budget that go beyond the 6 ½ million reviewed earlier
- For example, if we were to use this for another 2% raise, the amount in the estimated excess levy would be reduced to \$600K

What Happens if Plymouth uses all their Excess Levy Capacity?

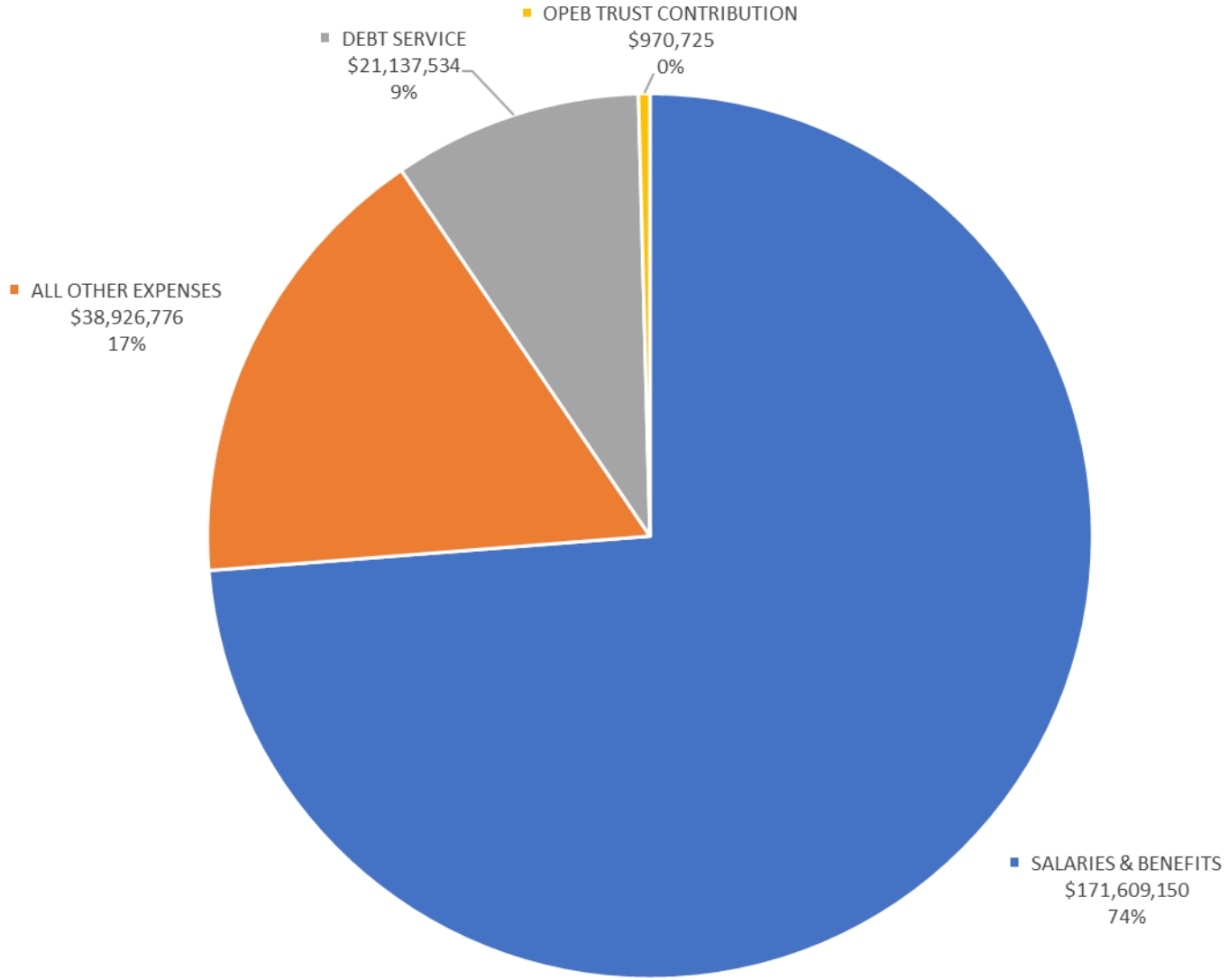
- Explanation of Plymouth's Levy and how Proposition 2 ½ does not apply CURRENTLY
- When will Plymouth be required to comply with Proposition 2 ½
- What would that look like:
 - Override that would be in effect for July 1, 2021
 - Reductions to the budget starting July 1, 2021

POTENTIAL TIME LINE	
April 2019 – we will present FY20 budget at Town Meeting	The direction for the FY20 budget we are building right now is to have a 2% COLA set aside for all school and town employee raises -at a cost of approximately 2.4 Million and that will be requested at this Town Meeting.
April 2020 – we will present FY21 budget at Town Meeting	Although too early to predict, as an example only, a 2% COLA in this budget for school and town employees' raises would cost approximately 2.6 Million
June 2020 -	Union Contracts will be expiring in one year (June 30, 2021) and negotiations should begin
Annual Town Meeting – OVERRIDE question	Based on current presumptions, the 3M in excess Levy Capacity that we had in Sept. 2018 will likely be depleted. This will necessitate a decision on override versus cuts for the starting July 1, 2021 (FY22 budget)
OVERRIDE ballot ?	If Town Meeting approved, the override question will be on this ballot. Otherwise, we will be building a budget with reductions for FY22 budget
May 2021 –we will present FY22 budget at Town Meeting	The budget presented will include either the override or the cuts.

Rather than Use up Excess Levy Capacity or ever have to go for an Operational Override – What can we do?

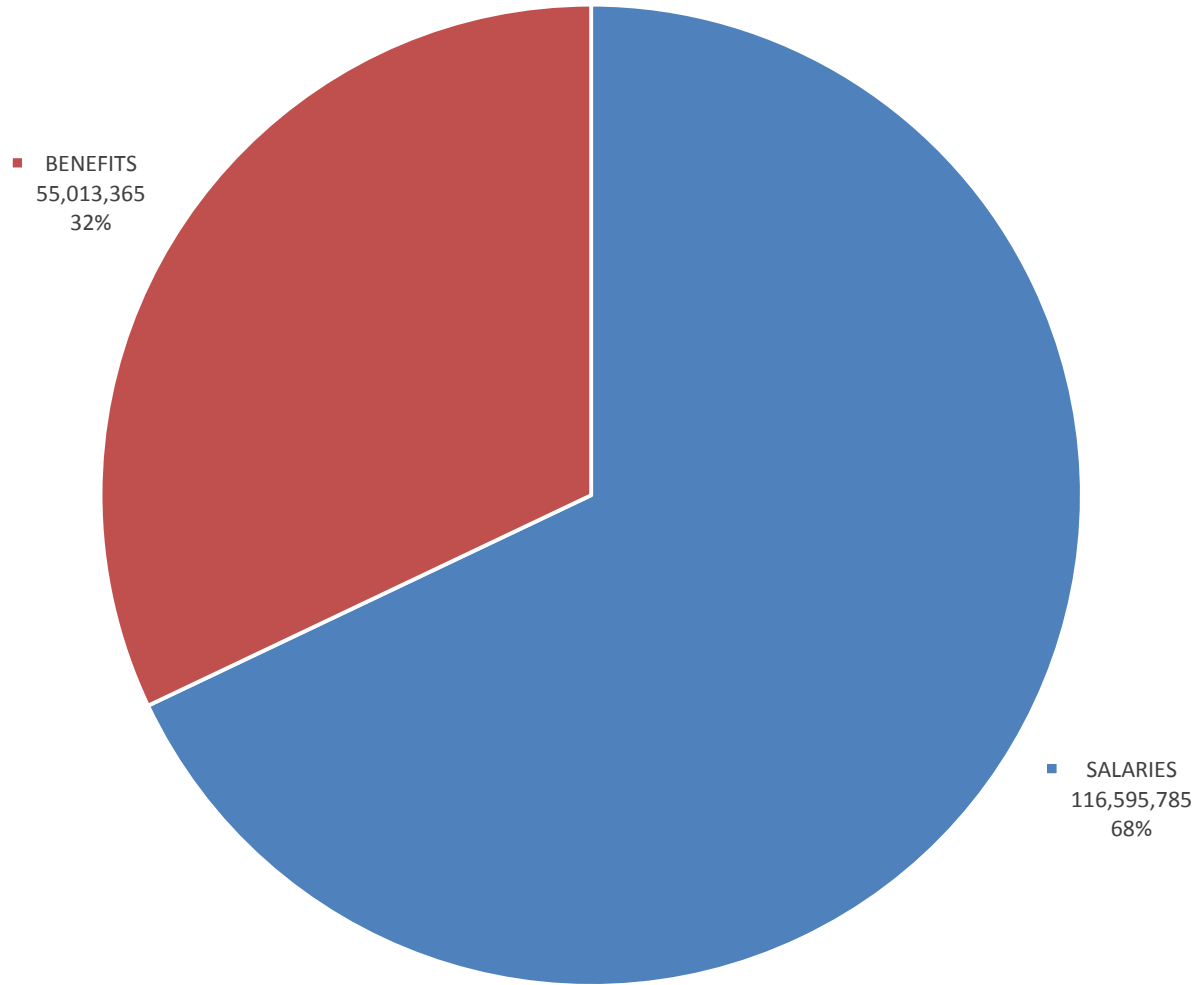
- Find Different Sources of Revenue – What are those?
- Increase Current Sources of Revenue – Other than Taxes?
- Reduce Costs - FROM WHERE?

ALL FUNDS - BUDGET MAKEUP (Includes A & F Recommendations for FATM)



■ SALARIES & BENEFITS ■ ALL OTHER EXPENSES ■ DEBT SERVICE ■ OPEB TRUST CONTRIBUTION

SALARIES & BENEFITS BREAKDOWN



■ SALARIES ■ BENEFITS

Fixed Costs (Benefits) – \$55 million/year in Plymouth's Budget

1. Member Benefits & Insurance – for Active and Retirees - \$ 41.6 Million – 18% of total budget
PLYMOUTH IS SELF INSURED – WHAT IS THAT?
2. OPEB Trust Funding - \$1 million/year on a \$600+ Million liability
3. Pension Contribution - \$13.2 Million – Funding schedule increase of 8% annually – Pay Off Unfunded Liability by 2034

Where can we save money on Health Insurance?

- Make Changes to our current Health Insurance Plan Design:
 - Introduce annual deductibles
 - Increase Co-Pays for Office Visits & Prescriptions
 - Increase Co-Pays for Hospitalization & ER Visits
- Offer new health insurance plans with “high” annual deductibles
- Eliminate paying for Medicare Part B for any NEW retiree
- Move Non Medicare Eligible Retirees to Medicare
- Increase Contribution Rates for current employees
 - Currently ER 75% & EE 25%
- Move away from the Self Insured program and go into a state health insurance plan
- Make changes to the Special Act in Plymouth

SHARING GOALS for EVERYONE

- Provide the great services the Town demands without increasing property taxes more than the standard - New Growth & 2.5 % Levy Increase
- Retain Excess Levy Capacity and let it continue to build
- Strive to build budgets that stay within 2 ½% as much as possible
- Constantly and annually review health insurance trends and find cost savings measures (as well as other fixed costs)
- Seek measures to provide competitive salaries and annual raises
- Move away from the philosophy that benefits must be preserved forever – ie some new employees would rather have salary than rich benefits – we need to adapt
- Continue to seek Different Sources of Revenue
- Reduce Costs in order to save taxpayers money and use a portion of reductions to cover necessary increases in the budget

