

Special Town Meeting
May 6, 2019

Article 1
Stabilization Fund Transfer

The Town of Saugus Stabilization Fund balance as of 3/31/19 is \$8,101,221.98. As part of the Financial Management Policies, “the Town will maintain a Stabilization Fund as its main financial reserve in the event of an emergency, unforeseen circumstances or an extraordinary need”. With this appropriation of \$1,500,000.00, the Stabilization Fund balance would be at approximately 10% of the Fiscal Year 2019 operating budget excluding the enterprise funds.

The funding source for this appropriation is July 1, 2018 certified free cash.

Town of Saugus

Financial Management Policies

Introduction

The following financial principles set forth the broad framework for overall fiscal planning and management of the Town of Saugus resources. In addition, these principles address both current activities and long-term planning. The principles are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors. It is fully understood that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject of course to statutory limits.

The principles outlined in this policy are designed to ensure the Town's sound financial condition now and in the future. A review of said policies will take place annually after the close of each fiscal year, following the annual state reporting requirements and the completion of the Town's annual audit.

Sound Financial Condition may be defined as:

- *Cash Solvency* - the ability to pay bills in a timely fashion
- *Budgetary Solvency* - the ability to annually balance the budget
- *Long Term Solvency* - the ability to pay future costs
- *Service Level Solvency* - the ability to provide needed and desired services

It is equally important that the Town maintain flexibility in its finances to ensure that the Town is in a position to react and respond to changes in the economy and new service challenges without measurable financial stress.

Policy Statements

1. The Town Manager shall annually prepare a balanced budget and comprehensive Budget Message as required by state law and town charter. The Budget Message shall include a detailed examination of trends in tax levy "new growth" revenues, local receipts, state aid, and other available funds.
2. The town will avoid budgetary practices that balance current expenditures at the expense of meeting future years expenses, such as postponing expenditures, accruing future years' revenues, rolling over short-term debt.
3. Recurring operating costs will be funded by recurring sources of revenue. This protects the Town from fluctuating service levels and avoids concern when one-time revenues are reduced or removed which create a structural deficit. In addition in order to budget prudently and plan for contingencies the town sets the following:
 - a. Unreserved Fund Balance (free cash) will be planned at 3% to 5% (State Average is 3.79%, GFOA 5%-15%, Bond Rating Agency Guideline 5%) of the operating budget and used only for one-time expenditures such as capital improvements, capital equipment, unexpected or extraordinary expenses such as unbudgeted snow and ice removal expenses and/or to meet the stabilization reserve policy. As of Fiscal Year Ending 06/30/12 the undesignated fund balance was 1.26% of the operating budget.
 - b. New operating costs associated with capital projects should be funded through the operating budget in year two and forward, but reflected in year one of the capital improvement plan.
 - c. The Town will maintain a Stabilization Fund as its main financial reserve in the event of an emergency, unforeseen circumstances or a extraordinary need. It shall be the goal of the town to achieve and maintain

a balance in the Stabilization Fund equal to 5% (State Average 2.90%, GFOA 5%, Bond Rating Agency 5%-10%) of its operating budget, understanding that this will take several years to accomplish. The established target will be reviewed upon meeting this goal. As of Fiscal Year Ending 06/30/12 the stabilization fund balance was .63 % of the operating budget.

5. Capital Plans: The Board of Selectmen and the Town Manager shall be responsible for preparing a 5-year capital improvement plan for the Town of Saugus, which shall be updated annually. The School Committee shall provide input to the Board of Selectmen and the Town manager relative to such plan. Such plan shall include, but not be limited to, cost estimates, methods of financing, recommended time frames and such other information as requested by the Board of Selectmen or the Town manager. The Capital plan will include an estimate of the related maintenance costs for the ensuing 3 years, year one to be budgeted in the capital year and future years within the operating budget.
6. Revenue Policies: Our Revenue Policies will address the need for diversification and stabilization, revenue estimating, user fee methodology and taxes.
 - a. Diversification and stabilization: The Town will maintain a diversified and stable revenue system as protection from short-term fluctuations. We will seek to reduce our reliance on property taxes and intergovernmental transfers, such as state aid, state and federal grants, which are outside our control and typically, are reduced during periods of fiscal crises. Performance indicators will be established in order to monitor the % of revenues by source, categorized by own source revenues and intergovernmental revenues.
 - i. Use of Onetime Revenues: The Town will exercise fiscal conservatism using onetime revenues to fund ongoing expenditures.
 - ii. Reduce reliance on Intergovernmental Revenues: The Town will establish a long-term plan with the intent to reduce its reliance on state aid. When preparing the 3-5 year forecast the town will use a flat line estimating approach.
 - iii. Diversity of Local Industry: The diversification of local commercial and industrial development creates economic resiliency, and a more stable revenue stream. To this end the following items will guide us in the economic development/redevelopment of the Town.
 1. Economic development should increase our revenue source while maintaining or strengthening our overall resiliency during an economic downturn.
 2. Economic development will take into consideration the impact that such development would have on the Towns infrastructure and the demand on services.
 - b. New Revenues: The institution of a proposed new revenue will take in consideration the following:
 - i. Community acceptability
 - ii. Competitiveness: the revenue or tax burden as compared to neighboring communities.
 - iii. Diversity: the balance of revenue sources that can withstand the changes in economic

conditions.

- iv. Efficiency: the cost of administering (collecting, accounting, etc.) a tax or a fee should bear a reasonable relation to revenues collected.
 - v. Fairness: the distribution of the Town's revenue burden by ability to pay, and the benefits (goods/services) received.
- c. Revenue Estimating: the revenues will be estimated conservatively, using an objective analytical approach. The goal of this policy is to predict revenues as accurately as possible while erring on the side of caution. Methodologies will be established that best fit the accuracy of forecasting, different methods for different revenue types.
- i. Multi-Year forecasts, which give the Town, lead-time to react to expected revenue shortfalls and to intelligently manage predicted revenue surges are a valuable component of sound long-term financial revenue estimating practices.
 - ii. The Town will maintain the historical data and a clear chronology of the budgeted to actual estimates results.
- d. User Fees: user fees are intended to directly recover the cost of the programs delivered to the specific segment of the population receiving the benefit. Prior to establishing a fee structure we will first distinguish between general public goods/services, which delivers a benefit to the public in general and one, which delivers a good/service to a particular group. Typically we will not charge a fee for general public goods/services, (e.g. Police, Fire, Roadway repair and maintenance, etc.). The Town will review all fees charged for good/services annually.
- i. Cost Recovery: when feasible and logically sound our fee-for-service structure will be designed to cover up to 100% of the direct costs, administrative (collection, accounting, etc.) and capital costs associated with the program. Establishing a separate fund for the accounting and managing of these programs should be used to properly track and account for costs and revenues. Fund balance should be maintained at a minimum and reserves should be used for onetime expenditures, such as capital costs.
- e. Revenue Reports: Revenue reports for all funds will be reviewed on a monthly basis by all department heads, or their designee. The official record of revenues is the Town's General Ledger as maintained by the Accountant. The department head must submit documentation to the Accountant and Treasurer/Collector to support a journal entry if a revenue account on the General Ledger needs adjustment.

7. Expenditure Policies:

- a. Maintenance of Capital Assets: Within the resources available each fiscal year the Town will maintain capital assets and infrastructure at a sufficient level to protect the Town's investment, minimize future replacement and maintenance costs, and to continue service levels.
- b. Program Review/Prioritization: The Town encourages delivery of services by other public and private organizations whenever and wherever greater efficiencies and effectiveness can be expected. In addition develop and use technology and productivity advancements that will help reduce or avoid personnel costs.

The intent is to control personnel costs as a proportion of the total budget, to more productively and creatively use available resources, and avoid duplication of effort and resources.

f. Budgetary Control:

- i. Budgetary reports will be issued to the department heads and reviewed by them on a monthly basis. The official record of expenditures is the Town's General Ledger as maintained by the Accountant. The department head must submit documentation to the Accountant and Budgetary Control Officer to support a journal entry if a budgetary account on the General Ledger needs adjustment.
- ii. The Budgetary Control Officer will issue budgetary summary reports to the Town Manager for review on a monthly basis to assist in managing the day-to-day operations of the town. These reports will be sent to the Finance Committee and Board of Selectmen on a quarterly basis to keep them informed of the Town's operating performance.

g. Special Revenue Funds/Capital Project Funds/Trust and Agency Fund Control: Fund balance reports will be issued to and reviewed by the department heads on a monthly basis. The official record of expenditures is the Town's General Ledger as maintained by the Accountant. The department head must submit documentation to the Accountant and Budgetary Control Officer to support the reconciliation of said funds to the General Ledger monthly and a journal entry if an expenditure account needs adjustment.

8. Debt Service: This policy is intended to establish parameters and provide guidance governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the Town.

- a. Purpose and Use of Debt: Debt shall be incurred for major expenditures. Bond proceeds should be used for planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and movable pieces of equipment, such as fire engines, or other costs permitted by law.
- b. Types of Debt: Debt financing will include general obligation bonds, revenue bonds, leased/purchase agreements, short-term notes, and other obligation bonds. Where possible the Town will use special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
- c. Project Life: Debt financing will be used for major, no-recurring items with a minimum of a four-year useful life. The Town will strive to issue debt for shorter periods than the maximum allowable when the statutory limit exceeds 10 years.
- d. Restrictions on Debt Issuance: When issuing debt and adding to the current annual debt service budget, the Town will consider the implication of serving the debt within the levy and the impact that action may or may not have on existing budgetary requirements and current service level requirements. The annual debt service obligation is to be no greater than 10% of the operating budget. This will be reviewed annually and determine if changes to the recommended percentage of the operating is in order.

8. Investment practices will be in accordance with the Town's "Investment Policy."

RatingsDirect®

Summary:

Saugus, Massachusetts; General Obligation

Primary Credit Analyst:

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Summary:

Saugus, Massachusetts; General Obligation

Credit Profile

US\$67.845 mil GO mun purp loan ser 2018 due 03/01/2048

<i>Long Term Rating</i>	AA+/Stable	New
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Saugus GO mun purp loan bnds

<i>Long Term Rating</i>	AA+/Stable	Affirmed
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Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to Saugus, Mass.' 2018 general obligation (GO) bonds, and affirmed its 'AA+' long-term rating on the town's GO bonds outstanding. The outlook is stable.

We understand officials intend to use the bond proceeds primarily for the town's high school/middle school project, which the town excluded from the limits of Proposition 2-1/2. The remainder of the funds will be used for various capital improvement projects, and are subject to the limits of Proposition 2-1/2.

Saugus' full-faith-and-credit pledge, subject to the limitations of Proposition 2-1/2, secures the bonds. We rate the limited-tax GO debt based on the application of our "Issue Credit Ratings Linked To U.S. Public Finance Obligor's Creditworthiness" criteria (published Jan. 22, 2018, on RatingsDirect). We are rating the obligation at the same level with our view of Saugus' general creditworthiness as expressed in our rating on the unlimited-tax GO bonds.

The long-term rating reflects our view of the town's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2016;
- Strong budgetary flexibility, with an available fund balance in fiscal 2016 of 12.3% of operating expenditures;
- Very strong liquidity, with total government available cash at 11.6% of total governmental fund expenditures and 4.0x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 2.9% of expenditures and net direct debt that is 99.2% of total governmental fund revenue, and a large pension and other postemployment benefit (OPEB) obligation and the lack of a plan to sufficiently address it, but low overall net debt at less than 3% of market value; and
- Strong institutional framework score.

Very strong economy

We consider Saugus' economy very strong. The primarily residential town, with an estimated population of 27,746, is in Essex County, approximately 10 miles north of Boston. It is in the Boston-Cambridge-Newton MSA, which we

consider to be broad and diverse. It has a projected per capita effective buying income of 120% of the national level and per capita market value of \$162,857. Overall, market value grew by 8.6% over the past year to \$4.5 billion in 2018. The county unemployment rate was 3.8% in 2016.

While residential properties account for approximately 81% of assessed value (AV), the town is experiencing continued redevelopment along its established commercial corridor. U.S. Route 1 passes through Saugus as a divided highway, with five exit ramps throughout town. This stretch of Route 1 is lined with a major shopping district, including the Square One Mall, and is a major commuter route to and from Boston, as well as providing access to Interstate 95 just north of the town line.

The town continues to see residential and mixed-use development along the Route 1 corridor. The town rezoned this area several years ago to pave the way for new types of development. Redevelopments in Saugus include the conversion of a miniature golf site into a mixed residential-commercial property; the planning board approved a 250-room hotel and 265 single-unit apartments on this site, which will also include retail stores and commercial space. Construction has begun and is expected to be completed in stages starting in 2017. Another development on Route 1 includes construction of Avalon Bay apartments, with plans to build 280 housing units with additional retail at the front and rear.

Given the stability of the town's existing residential base, along with ongoing commercial and residential development and easy access to Boston and the surrounding MSA, we expect that Saugus' economy will remain very strong throughout the two-year outlook period.

Strong management

We view the town's management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Strengths of the assessment, in our opinion, include management's:

- Strong revenue and expenditure assumptions when budgeting;
- Strong intrayear budgetary monitoring; and
- Long-term financial plan.

The town manager formed and adopted a finance committee in conjunction with the board of selectmen and management reviews the results annually. Saugus has a five-year capital improvement plan that it updates annually and that identifies funding sources for specified projects. The town also has an investment policy that mirrors commonwealth guidelines with quarterly reporting to the board. Finance committee members participate in a regular review of the budget compared with actual performance.

The adopted debt management policy targets debt service below 10% of the annual operating budget. Saugus adopted reserve policies for emergencies, which include unreserved fund balance planned at 3% to 5% of operating expenditures and 5% of the operating budget for stabilization reserves. The town currently adheres to both reserve policies, but this is the first year it is in compliance with the policy, with stabilization reserves equaling 6.4% of expenditures.

Strong budgetary performance

Saugus' budgetary performance is strong, in our opinion. The town had operating surpluses of 3.1% of expenditures in the general fund and 3.2% across all governmental funds in fiscal 2016.

Saugus has achieved balanced operating results in each of the last four fiscal years due to positive revenue trends and conservative budgeting. In fiscal 2016, revenue exceeded budgeted expectations; management attributes this to its conservative budgeting of the motor vehicle excise and licenses and permit fees, coupled with strong tax title collections.

The town's draft audit, which management expects to finalize within the next few weeks, shows a general fund surplus for fiscal 2017 at levels comparable with the previous fiscal years. Management reports that fiscal 2018 budget-to-actuals are tracking on target and the town expects to end 2018 with another positive operating result.

In fiscal 2016, property taxes generated 71% of revenue and state aid accounted for 18% of general fund revenues. The draft 2017 results show a similar mix of revenue sources. We expect that the town will continue to generate the majority of its operating revenue from local tax sources.

Based on consistent operating performance over the past several fiscal years and limited capital needs, we expect the town will maintain its strong budgetary performance throughout the next outlook period. However, we believe future pension costs will remain a budgetary pressure given the low funded ratio of the pension plan. Management is actively managing these liabilities and making adjustments when needed. The town is funding the actuarially determined contributions and prefunding its OPEBs. We believe these liabilities may strain future operations, particularly if economic or business conditions worsen and actuary assumptions are not met, revised, or found to be inadequate at current levels.

Strong budgetary flexibility

Saugus' budgetary flexibility is strong, in our view, with an available fund balance in fiscal 2016 of 12.3% of operating expenditures, or \$10.0 million.

Saugus has maintained strong budgetary flexibility over the past three fiscal years. With no plans to draw down fund balance, and our expectation of an operating surplus in fiscal 2017 and at least balanced results in fiscal 2018, we anticipate that the town will maintain strong budgetary flexibility throughout the next several fiscal years.

Very strong liquidity

In our opinion, Saugus' liquidity is very strong, with total government available cash at 11.6% of total governmental fund expenditures and 4.0x governmental debt service in 2016. In our view, the town has strong access to external liquidity if necessary.

We believe Saugus' regular debt issuance demonstrates its strong access to external liquidity. Saugus does not currently have any variable-rate or direct-purchase debt. It has consistently maintained very strong liquidity, and we expect our assessment of liquidity to remain unchanged during the outlook period.

Weak debt and contingent liability profile

In our view, Saugus' debt and contingent liability profile is weak. Total governmental fund debt service is 2.9% of total governmental fund expenditures, and net direct debt is 99.2% of total governmental fund revenue. Overall net debt is low at 2.1% of market value, which is, in our view, a positive credit factor.

This issuance is part of a \$118 million planned debt issuance, over several years, as part of the town's middle and high schools construction projects, where the town will be condensing its school district to three buildings. Following this issuance, the town anticipates issuing approximately \$25 million in new money debt within the next two-to-three years.

In our opinion, a credit weakness is Saugus' large pension and OPEB obligation, without a plan in place that we think will sufficiently address it. Saugus' combined required pension and actual OPEB contributions totaled 10.9% of total governmental fund expenditures in 2016. Of that amount, 6.3% represented required contributions to pension obligations, and 4.6% represented OPEB payments. The town made its full annual required pension contribution in 2016. The funded ratio of the largest pension plan is 69.8%.

Saugus contributes to the Saugus Contributory Retirement System, a cost-sharing, multiemployer, defined-benefit pension plan. Using updated reporting standards in accordance with Governmental Accounting Standards Board Statement Nos. 67 and 68, the town's proportionate share of the net pension liability was about \$35.1 million with 69.7% funding as of fiscal 2016, based on an assumed rate of return of 7.6%. Because of the low funded ratio, we believe contributions will likely continue to rise over the next few fiscal years.

Saugus also provides OPEBs to retirees. As of July 1, 2014, the most recent actuarial valuation, it reported a \$105 million OPEB liability. It has traditionally funded OPEBs through pay-as-you-go financing. It paid \$4 million, or 4.6% of expenditures, which was 37.5% of the annual required contribution, in fiscal 2016. The town established an OPEB trust fund to finance this liability. Currently, the trust fund balance is about \$391,000.

Strong institutional framework

The institutional framework score for Massachusetts municipalities is strong.

Outlook

The stable outlook reflects our opinion that Saugus will maintain strong reserves, supported by strong management and budgetary performance. The town's participation in the broad and diverse Boston MSA lends additional stability to the rating; therefore, we do not expect to change the rating within the outlook's two-year period.

Upside scenario

If the town continues its strong budgetary performance, leading to an increase in reserves while mitigating its pension and OPEB liabilities and increased debt burden, along with a strengthening of its economic indicators, we could raise the rating.

Downside scenario

While currently unlikely, if the town's budgetary performance were to deteriorate due to significantly increasing costs from its long-term liabilities, leading to decreased budgetary performance and diminished reserves, we could lower the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Special Town Meeting
May 6, 2019

Article 2
OPEB – Other Post-Employment Benefits

In June 2016 Town Meeting adopted Chapter 32B, Section 20 to establish the Other Post-Employment Benefits Liability Trust Fund to begin to fund the liability for health and life insurance benefits for the retirees of the Town of Saugus and Saugus Public Schools. At that and subsequent Town Meetings a total of \$450,000.00 has been appropriated to this fund in addition to \$231,765.00 that has been transferred from both the water and sewer enterprise funds on behalf of its employees for future benefit cost. The balance in the fund as of 3/31/19 is \$720,137.06. The amount of this appropriation is \$150,000.00.

The funding source for this appropriation is July 1, 2018 certified free cash.

Part I	ADMINISTRATION OF THE GOVERNMENT
Title IV	CIVIL SERVICE, RETIREMENTS AND PENSIONS
Chapter 32B	CONTRIBUTORY GROUP GENERAL OR BLANKET INSURANCE FOR PERSONS IN THE SERVICE OF COUNTIES, CITIES, TOWNS AND DISTRICTS, AND THEIR DEPENDENTS
Section 20	OTHER POST-EMPLOYMENT BENEFITS LIABILITY TRUST FUND

[Text of section effective until November 7, 2016. For text effective November 7, 2016, see below.]

Section 20. (a) A city, town, district, county or municipal lighting plant that accepts this section may establish an Other Post-Employment Benefits Liability Trust Fund, and may appropriate amounts to be credited to the fund. Any interest or other income generated by the fund shall be added to and become part of the fund. Amounts that a governmental unit receives as a sponsor of a qualified retiree prescription drug plan under 42 U.S.C. section 1395w-132 may be added to and become part of the fund. All monies held in the fund shall be segregated from

other funds and shall not be subject to the claims of any general creditor of the city, town, district, county or municipal lighting plant.

(b) The custodian of the fund shall be (i) a designee appointed by the board of a municipal lighting plant; (ii) the treasurer of any other governmental unit; or (iii) if designated by the city, town, district, county or municipal lighting plant in the same manner as acceptance prescribed in this section, the State Retiree Benefits Trust Fund board of trustees established in section 24A of chapter 32A, provided that the board of trustees accepts the designation. The custodian may employ an outside custodial service to hold the monies in the fund. Monies in the fund shall be invested and reinvested by the custodian consistent with the prudent investor rule established in chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund board of trustees, be invested in the State Retiree Benefits Trust Fund established in section 24 of chapter 32A.

(c) This section may be accepted in a city having a Plan D or Plan E charter, by vote of the city council; in any other city, by vote of the city council and approval of the mayor; in a town, by vote of the town at a town meeting; in a district, by vote of the governing board; in a municipal lighting plant, by vote of the board; and in a county, by vote of the county commissioners.

(d) Every city, town, district, county and municipal lighting plant shall annually submit to the public employee retirement administration commission, on or before December 31, a summary of its other post-employment benefits cost and obligations and all related information required under Government Accounting Standards Board standard 45, in this subsection called "GASB 45", covering the last fiscal or calendar year for which this information is available. On or before June 30 of the following year, the public employee retirement administration commission shall notify any entity submitting this summary of any concerns that the commission may have or any areas in which the summary does not conform to the requirements of GASB 45 or other standards that the commission may establish. The public employee retirement administration commission shall file a summary report of the information received under this subsection with the chairs of the house and senate committees on ways and means, the secretary of administration and finance and the board of trustees of the State Retiree Benefits Trust Fund.

Chapter 32B: Section 20. Other Post-Employment Benefits Liability Trust Fund; sources of funding; custodian; trustees; separate OPEB Fund board of trustees as investing authority; expenditures and investments

[Text of section as amended by 2016, 218, Sec. 15 effective November 7, 2016. For text effective until November 7, 2016, see above.]

Section 20. (a) As used in this section, and section 20A, the following words shall have the following meanings unless the context clearly requires otherwise:

"Chief executive officer", the mayor in a city or the board of selectmen in a town, unless some other municipal office is designated to be the chief executive officer pursuant to a local charter, the county commissioners in a county and the governing board, commission or committee in a district or other governmental unit.

"Commission" or "PERAC", the public employee retirement administration commission established pursuant to section 49 of chapter 7.

"GASB", the Governmental Accounting Standards Board.

"Governing body", the legislative body in a city or town, the county commissioners in a county, the regional district school committee in a regional school district, or the district meeting or other appropriating body in any other governmental unit.

"Governmental unit" or "unit", any political subdivision of the commonwealth, including a municipal lighting plant, local housing or redevelopment authority, regional council of government established pursuant to section 20 of chapter 34B and educational collaborative, as defined in section 4E of chapter 40.

"State Retiree Benefits Trust Fund board of trustees", the board of trustees established by section 24A of chapter 32A.

"Other Post-Employment Benefits Liability Trust Fund" or "OPEB Fund"; a trust fund established by a governmental unit pursuant to this section for the deposit of gifts, grants, appropriations and other funds for the: (1) benefit of retired employees and their dependents, (2) payment of required contributions by the unit to the group health insurance benefits provided to employees and their dependents after retirement and (3) reduction and elimination of the unfunded liability of the unit for such benefits.

"OPEB Fund board of trustees"; an independent board of trustees selected by the governmental unit with investing authority for the OPEB Fund.

"OPEB investing authority" or "investing authority"; the trustee or board of trustees designated by the governmental unit to invest and reinvest the OPEB Fund using the investment standard or investment vehicle established pursuant to this section.

(b) A governmental unit that accepts this section shall establish on its books and accounts the Other Post-Employment Benefits Liability Trust Fund, the assets of which shall be held solely to meet the current and future liabilities of the governmental unit for group health insurance benefits for retirees and their dependents. The governmental unit may appropriate amounts to be credited to the fund and the treasurer of the governmental unit may accept gifts, grants and other contributions to the fund. The fund shall be an expendable trust subject to appropriation and shall be managed

by a trustee or a board of trustees as provided in subsection (d). Any interest or other income generated by the fund shall be added to and become part of the fund. Amounts that a governmental unit receives as a sponsor of a qualified retiree prescription drug plan pursuant to 42 U.S.C. section 1395w-132 may be dedicated to and become part of the fund by vote of the governing body of the governmental unit. All monies held in the fund shall be accounted for separately from other funds of the governmental unit and shall not be subject to the claims of any general creditor of the governmental unit.

(c) The treasurer of the governmental unit shall be the custodian of the OPEB Fund and shall be bonded in any additional amounts necessary to protect fund assets.

(d) The governing body of the governmental unit shall designate a trustee or board of trustees, which shall have general supervision of the management, investment and reinvestment of the OPEB Fund. The governing body may designate as the trustee or board of trustees: (i) the custodian; (ii) the governmental unit's retirement board as the board of trustees; or (iii) an OPEB Fund board of trustees established by the governmental unit pursuant to subsection (e). If no designation is made, the custodian of the fund shall be the trustee and shall manage and invest the fund. The duties and obligations of the trustee or board of trustees with respect to the fund shall be set forth in a declaration of trust to be adopted by the trustee or board, but shall not be inconsistent with this section. The declaration of trust and any amendments thereto

shall be filed with the chief executive officer and the clerk of the governing body of the governmental unit and take effect 90 days after the date filed, unless the governing body votes to disapprove the declaration or amendment within that period. The trustee or board of trustees may employ reputable and knowledgeable investment consultants to assist in determining appropriate investments and pay for those services from the fund, if authorized by the governing body of the governmental unit. The trustee or board of trustees may, with the approval of the State Retiree Benefits Trust Fund board of trustees, invest the OPEB Fund in the State Retiree Benefits Trust Fund established in section 24 of chapter 32A.

(e) The governing body of the governmental unit may vote to establish a separate OPEB Fund board of trustees to be the investing authority. The board of trustees shall consist of 5 to 13 individuals, including a person or persons with the investment experience desired by the governmental unit, a citizen or citizens of the governmental unit, an employee of the governmental unit, a retiree or retirees of the governmental unit, and a governmental unit officer or officers. The governmental unit employee trustee shall be selected by current employees of the unit by ballot, and the retiree trustee or trustees shall be selected by current retirees of the unit by ballot. The remainder of the trustees shall be appointed by the chief executive officer of the governmental unit. The trustees will serve for terms of 3 or 5 years, as determined by the governing body of the governmental unit, and if a vacancy occurs,

a trustee may be elected or selected in the same manner to serve for the remainder of the term. Trustees shall be eligible for reappointment.

(f) The trustee or board of trustees shall: (i) act in a fiduciary capacity, (ii) discharge its duties for the primary purpose of enhancing the value of the OPEB Fund, (iii) act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise with like character and with like aims and (iv) diversify the investments in the fund to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

In any civil action brought against a trustee, the board of trustees, acting within the scope of official duties, the defense or settlement of which is made by legal counsel for the governmental unit, the trustee or employee shall be indemnified from the OPEB Fund for all expenses incurred in the defense thereof and for damages to the same extent as provided for public employees in chapter 258. No trustee or employee shall be indemnified for expenses in an action or damages awarded in such action in which there is: (i) a breach of fiduciary duty, (ii) an act of willful dishonesty or (iii) an intentional violation of law by the trustee or employee.

(g) Monies in the OPEB Fund not required for expenditures or anticipated expenditures within the investment period, shall be invested and reinvested by the custodian as directed by the

investing authority from time to time; provided such investment or reinvestment is made in accordance with: (i) section 54 of chapter 44, if the treasurer or OPEB Fund board of trustees is the investing authority, unless the governing body of the governmental unit authorizes investment under the prudent investor rule established in chapter 203C; (ii) section 23 of chapter 32, if the retirement board is the investing authority; or (iii) sections 24 and 24A of chapter 32A, if the OPEB Fund is invested in the State Retiree Benefits Trust Fund.

(h) Amounts in the OPEB Fund may be appropriated by a two-thirds vote of the governing body of the governmental unit to pay the unit's share of health insurance benefits for retirees and their dependents upon certification by the trustee or board of trustees that such amounts are available in the fund. The treasurer of the governmental unit after consulting with the chief executive officer of the unit shall determine the amount to be appropriated from the fund to the annual budget for retiree health insurance and notify the trustee or board of trustees of that amount at the earliest possible opportunity in the annual budget cycle. Upon notification, the trustee or board of trustees shall take diligent steps to certify those funds as available for appropriation by the governmental unit, or will be available by the time the appropriation would become effective or provide an explanation why the funds are or will not be available or should not be made available.

(i) In a regional school district, appropriations of amounts to the OPEB Fund may be made only in the annual budget submitted to the member cities and towns for approval. The annual report submitted to the member cities and towns pursuant to clause (k) of section 16 of chapter 71 shall include a statement of the balance in the fund and all additions to and appropriations from the fund during the period covered by such report.

(j) A municipal lighting plant that establishes an OPEB fund shall pay the premiums and assume the liability for the municipal share of retiree healthcare benefits attributable to lighting plant employees and their dependents.

(k) A governmental unit that accepts this section may participate in the OPEB Fund established by another governmental unit pursuant to this section upon authorization of the governing boards of both units and in accordance with the procedures and criteria established by the trustee or board of trustees of the fund. Each governmental unit shall remain responsible for all costs attributable for the health care and other post-employment obligations for its retired employees and their dependents and for completing an actuarial valuation of its liabilities and funding schedule that conforms to GASB requirements.

The participating governmental unit may appropriate or otherwise contribute amounts to the OPEB Fund as provided in subsection (b). Amounts from the fund may be appropriated by the participating unit for its retiree health insurance expenses in the

manner authorized in subsection (h) upon a determination by the treasurer of the unit, after consulting with the chief executive officer of the unit, of the necessary amount and notification of the treasurer of the governmental unit maintaining the fund and the trustee or board of trustees of that amount. The trustee or board of trustees shall certify those funds available for appropriation, as provided in subsection (h), and the treasurer of the governmental unit maintaining the fund shall transfer the amounts certified to the participating governmental unit.

The participating governmental unit shall be separately credited for any contributions made to and appropriations from the OPEB Fund, and interest or other income generated by the fund, in the accounting of the relative liabilities of each governmental unit for its retirees and their dependents.

(l) This section may be accepted in a city or town in the manner provided in section 4 of chapter 4; in a county, by vote of the county commissioners; in a regional school district, by vote of the regional school committee; and in a district or other governmental unit, by vote of the district meeting or other appropriating body.

(m) This section shall also apply to the OPEB Fund established by a governmental unit under a special law, notwithstanding any provision to the contrary, upon the acceptance of this section by the governmental unit.

Special Town Meeting
May 6, 2019

Article 3
Streetlight Retrofit to LED

The Town of Saugus has been approved for a grant under the second round of the Massachusetts Area Planning Council (MAPC) and Department of Energy Resources (DOER) LED Streetlight Rapid Retrofit program pending confirmation of funding the project, which requires the vote of Town Meeting to appropriate the funds. Conversion of the streetlights to LEDs can provide many benefits including energy and cost savings as well as improved lighting and less light pollution. This program can fund a portion of the cost of procurement and installation of the LED streetlights.

The cost of the project is estimated to be \$1,035,000.00 to be appropriated by the Town upfront and with the MAPC and DOER incentives and rebates after the project is completed will result in a net cost estimate of \$597,000.00. Based on the calculations from National Grid, the estimated return on the investment with the incentives and grant is 2.37 years.

The source of funds for this appropriation will be a borrowing authorization.

Municipal LED Ownership and Retrofit Status

DOER LED Streetlight Rapid (RR) Program

Retrofits Outside of RR Program

Retrolit In Process

Retrolit Complete

Rapid Retrolit Enrollment

Interested in Program

In Program

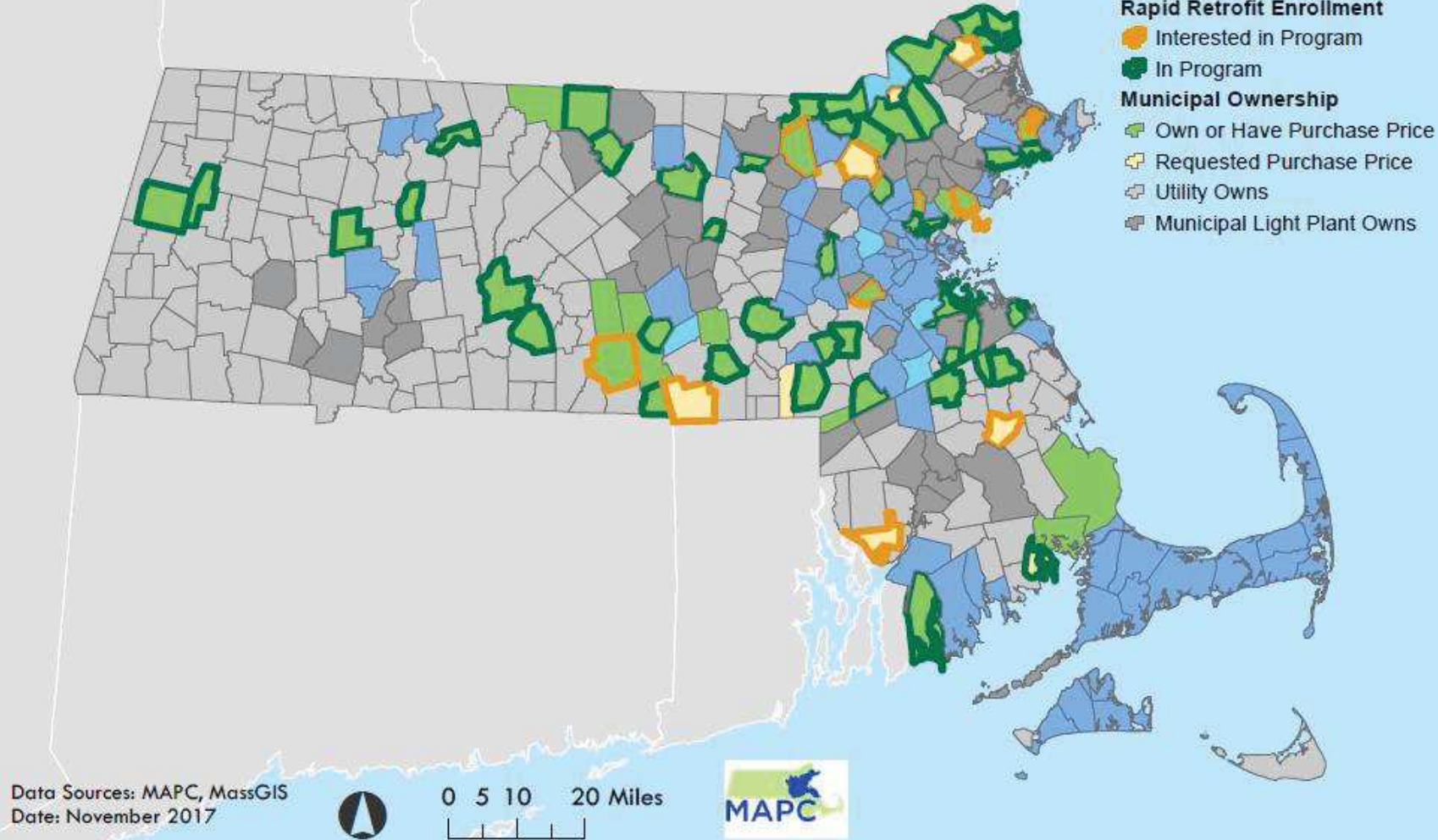
Municipal Ownership

Own or Have Purchase Price

Requested Purchase Price

Utility Owns

Municipal Light Plant Owns



Scenario: Municipality buys back lights from the Utility

National Grid Saugus

2

Annual Existing Energy & Maintenance Costs

Type	Nominal Wattage	Quantity	Annual kWh Billed Per Light	Billed kWh	Deliver Rate per kWh	Delivery Cost	Facility Charge per Light	Facility Charge*	Supply Charge	Supply Charge	Total Costs	
Roadway												
HPS Rdw	50	1723	255	439365	\$ 0.05757	\$ 25,294	\$ 71	\$ 121,747	\$ 0.09000	\$ 39,543	\$ 186,584	
HPS Rdw	70	0	359	0		\$ -	\$ 87	\$ -		\$ -	\$ -	
HPS Rdw	100	381	493	187833		\$ 10,814	\$ 95	\$ 36,115		\$ 16,905	\$ 63,834	
HPS Rdw	150	1	722	722		\$ 42	\$ 106	\$ 106		\$ 65	\$ 213	
HPS Rdw	250	644	1,269	817236		\$ 47,048	\$ 142	\$ 91,551		\$ 73,551	\$ 212,151	
HPS Rdw	400	103	1,962	202086		\$ 11,634	\$ 203	\$ 20,904		\$ 18,188	\$ 50,726	
MV Rdw	100	0	543	0		\$ -	\$ 70	\$ -		\$ -	\$ -	
MV Rdw	175	0	881	0		\$ -	\$ 86	\$ -		\$ -	\$ -	
Incandescent	105	0	438	0		\$ -	\$ 67	\$ -		\$ -	\$ -	
Post-Top												
HPS Post	50	0	255	0		\$ -	\$ 159	\$ -		\$ -	\$ -	
HPS Post	100	0	493	0		\$ -	\$ 166	\$ -		\$ -	\$ -	
Flood												
HPS Fld	250	0	1,269	0		\$ -	\$ 199	\$ -		\$ -	\$ -	
HPS Fld	400	0	1,962	0		\$ -	\$ 241	\$ -		\$ -	\$ -	
Poles												
Wood		0					\$ 57	\$ -				\$ -
Fiberglass without Foundation		0					\$ 127	\$ -				\$ -
Fiberglass with Foundation		0					\$ 117	\$ -				\$ -
Metallic with Foundation		0					\$ 238	\$ -				\$ -
2852				1,647,242		\$ 94,832		\$ 270,423		\$ 148,252	\$ 513,507	

*The luminaire charge is a per-light charge that covers maintenance by the utility

[illegible]

Annual Savings from Buying Lights from Utility		
Savings	Payback (Years)	
\$ 144,804	0.	

LED Retrofit Costs & Incentive												
Existing Type	Nominal Wattage	Quantity	Replacement LED Wattage	Materials Cost per Unit (photocell + fuse + light)	Total Material Cost	Labor Cost per Unit	Total Labor Cost	Audit Cost per Unit	Total Audit Cost	Design/PM Cost per Unit	Total Design/PM Cost	Total Cost to Retrofit
Roadway												
HPS Rdw	50	1723	25	\$ 204	\$ 351,492	\$65	\$ 111,995	\$15	25,845	\$21	36,183	525,515
HPS Rdw	70	0	25	\$ 204	\$ -		\$ -		-		-	-
HPS Rdw	100	381	42	\$ 204	\$ 77,724		\$ 24,765		5,715		8,001	116,205
HPS Rdw	150	1	53	\$ 284	\$ 284		\$ 65		15		21	385
HPS Rdw	250	644	101	\$ 284	\$ 182,896		\$ 41,860		9,660		13,524	247,940
HPS Rdw	400	103	130	\$ 334	\$ 34,402		\$ 6,695		1,545		2,163	44,805
MV Rdw	100	0	25	\$ 204	\$ -		\$ -		-		-	-
MV Rdw	175	0	53	\$ 284	\$ -		\$ -		-		-	-
Incandescent R	105	0	42	\$ 204	\$ -		\$ -		-		-	-
Post-Top							\$ -		-		-	-
HPS Post	50	0	25	\$ 434	-		\$ -		-		-	-
HPS Post	100	0	42	\$ 434	-		\$ -		-		-	-
Flood							\$ -		-		-	-
HPS Fld	250	0	101	\$ 434	-		\$ -		-		-	-
HPS Fld	400	0	130	\$ 434	-		\$ -		-		-	-
					\$ 646,798		\$ 185,380		\$ 42,780		\$ 59,892	\$ 934,850
										Police Details		
										+ \$ 100,000.00		
										= \$1,034,850.00		

Annual Energy & Maintenance Costs **after** Retrofit

Annual kWh Billed Per Light	Total Billed kWh	Actual kWh	Deliver Rate per kWh	Delivery Cost (\$-5)	Cost per Light for Annual Third Party Routine Maintenance	Annual Third-Party Maintenance Charge*	Annual maintenance Contingency*	Supply Rate per kWh	Supply Charge	Total Annual Costs
104	179,838	179,838	\$ 0.09574	\$ 17,218	\$ 6	\$ 10,338	\$ 28,520	\$ 0.09000	\$ 16,185	\$ 43,741
104	-	-		\$ -		\$ -			\$ -	\$ -
104	39,767	66,808		\$ 3,807		\$ 2,286			\$ 3,579	\$ 9,672
313	313	221		\$ 30		\$ 6			\$ 28	\$ 64
522	336,088	271,559		\$ 32,177		\$ 3,864			\$ 30,248	\$ 66,289
522	53,753	55,903		\$ 5,146		\$ 618			\$ 4,838	\$ 10,602
104	-	-		\$ -		\$ -			\$ -	\$ -
313	-	-		\$ -		\$ -			\$ -	\$ -
104	-	-		\$ -		\$ -			\$ -	\$ -
104	-	-		\$ -		\$ -			\$ -	\$ -
104	-	-		\$ -		\$ -			\$ -	\$ -
313	-	-		\$ -		\$ -			\$ -	\$ -
522	-	-		\$ -		\$ -			\$ -	\$ -
	609,759	574,330		\$ 58,378		\$ 17,112	\$ 28,520		\$ 54,878	\$ 158,889

*Annual maintenance costs decrease for LEDs due to their longer life. See "Back Up" tab for maintenance cost figures.

*Recommend keeping same reserve for contingency as pre-retrofit

Annual Savings from an LED Retrofit

Billed Savings (\$)	Billed Savings (kWh)	Actual Savings (kWh)	Initial Payback	Incentive from Utility	Net Cost After Utility	Payback with Utility Incentive	Grant from DOER (30% materials and labor)	Net Cost After Utility & DOER Grant	Payback with Utility Incentive + MAPC Grant
\$ 58,543	259,527	259,527	4.46	\$ 64,881.72	\$ 666,622	3.18	\$ 119,581.58	\$ 497,437	2.37
\$ -	-	-		\$ -			\$ -		
\$ 29,788	148,066	121,025		\$ 30,256.16			\$ 21,669.85		
\$ 82	409	501		\$ 125.18			\$ 67.15		
\$ 93,233	481,149	545,677		\$ 136,419.33			\$ 26,501.00		
\$ 28,169	148,333	146,183		\$ 36,545.69			\$ 1,365.39		
\$ -	-	-		\$ -			\$ -		
\$ -	-	-		\$ -			\$ -		
\$ -	-	-		\$ -			\$ -		
				\$ -					
\$ -	-	-		\$ -					
\$ -	-	-		\$ -					
\$ -	-	-		\$ -					
\$ -	-	-		\$ -					
\$ -	-	-		\$ -					
\$ -	-	-		\$ -					
\$ 209,814	1,037,483	1,072,912	4.46	\$ 268,228	\$ 666,622	3.18	\$ 169,185	\$ 497,437	2.37

Police Details + \$ 100,000.00
= \$ 597,437.00

Special Town Meeting
May 6, 2019

Article 5
Town-Wide Master Plan

This appropriation of \$150,000.00 will be used to fund the completion and/or update of a Town-wide Master Plan for the Town of Saugus under MGL c41 s81D. The latest version of the Town's Master Plan is decades old. This plan through the use of text, maps, and illustrations is a statement designed to assist communities to manage future growth and development, protect environmental resources, set priorities for developing and maintaining infrastructure and public facilities, create a framework for future policy decisions, promote open democratic planning, and provide guidance to land owners, developers, and permitting authorities. The elements that may be included but not limited to are a statement of goals and policies, land use, housing, economic development, natural & cultural resources, open space & recreation, services & facilities, transportation, and implementation.

The source of funding for this appropriation is July 1, 2018 certified free cash.

Special Town Meeting
May 6, 2019

Article 6
Town Storm Drains

This appropriation of \$90,000.00 will fund a capital project to replace approximately 200 foot section of drain line at the Cemetery on Winter Street. This drain line is responsible for draining water from the Winter Street and Central Street areas. It has collapsed in the rear left section of the Cemetery and needs to be replaced to allow for unimpeded flow, reducing the potential for backups and the associated flooding. Under the existing conditions the Cemetery roadway is being undermined which could cause more significant repairs.

The funding source of this article is to re-purpose unexpended bond proceeds from completed drainage projects for which no further liability remains as approved by Bond Counsel and shown on the list below.

<u>Town Meeting Vote Date and Article Number</u>	<u>Purpose</u>	<u>Amount Originally Appropriated</u>	<u>Amount Unexpended</u>
12/11/01 - Art. 14	Storm drain repairs	\$1,000,000.00	\$41,978.17
05/01/06 – Art. 22	Howard Street/Clifton St Drainage	103,000.00	20,836.09
05/19/08 – Art. 32	Dale Street Drainage design	100,000.00	8,762.07
05/22/09 – Art. 28	Western Avenue Storm Drain	65,000.00	5,904.42
05/16/16 – Art. 25	Elm Street Drainage	\$1,200,000.00	<u>12,519.25</u>
	Total:		\$90,000.00

Special Town Meeting
May 6, 2019

Article 7
Tree Farm

This appropriation will be used to fund expenditures of the Tree Farm located off Auburn Street. In June 2016 Town Meeting voted to appropriate the sum of \$10,000.00 for the expenditures of the tree farm. The funds have been used to promote the growth and expansion of the tree farm.

The source of funding for this article is the July 1, 2018 certified free cash.

Special Town Meeting
May 6, 2019

Article 8
Guard Rail Replacement

There are several areas in Town that require replacement of the existing guard rail as the existing structure is old or not adequate or has been damaged as a result of being struck by a vehicle. This appropriation of \$120,000.00 will fund the replacement of the guardrail determined as a priority.

The source of funding for this article is the July 1, 2018 certified free cash.