

Finance Committee Meeting
Tuesday, November 17, 2015

Chairman Theresa M. Manganelli called the meeting to order at 7:00 p.m. Members present were John F. Doherty, Marianne Gallezzo, Michele Kincaid, Robert P. Palmer, Bernard P. Nally, Jonathan R. Eaton. Excused: Kevin Stokes, Leigh Martinson.

PRESENT IN INTEREST: Jeff Hull, Town Manager, Kendra Amaral, Assistant Town Manager, Michael Morris, Town Accountant

Ms. Manganelli - Explained the purpose of this meeting is for the Committee to better understand the budget process and how it concerns the Finance Committee, to fill in the gaps. This is a welcomed opportunity.

Mr. Hull - Began by explaining the reason for having this meeting due to the significant number of new members on the Committee and to serve as a refresher for members that have been on the Committee for some period of time.

There are important dates in the process. A communication will be sent out to department heads early October each year with instructions on preparation of the Capital Improvement Plan (CIP) which is a five-year plan. The CIP includes major expenses such as vehicles, building construction, and infrastructure improvements. Because the CIP is in its third year, department heads are instructed to review the plan and bring proposals that were not captured previously.

In the first week of November, department heads are provided with instructions for preparation of operating budget. These instructions reflect on the goals, provides a review on priorities, and any initiatives to focus on. Department budgets are due in early December. During the months of December and early January departments meet individually to review requests for the operating budget and the CIP, including the School Department. In January there is a meeting with the five Town Managers for the communities that are served by Shawsheen Tech to review their budget request.

The budget is required to be presented to the Board of Selectmen by February 1st. This year, petition articles are due February 5th. Non-partition warrant articles and zoning articles are due February 8th.

During the month of February, meetings are held with Finance Committee to review the various budgets. On March 14th the Board of Selectman will conduct their final review of non-partition warrant articles and sign the town meeting warrant. On March 15th the Finance Committee and Planning Board hold a public hearing on the warrant including the budget. This is a preview for the Town Meeting. The Town Meeting will be April 30th. The Finance Committee will meet one more time, typically at the end of the fiscal year to review transfer requests and wrap up the fiscal year.

Revenue projections are projected conservatively as has been done in the past. This approach has allowed the town to generate free cash balances. Free cash is a means to put money aside to deal some long-term liabilities.

OPEB is an issue we have to deal with and make an effort to put money aside for. Additionally, pensions are an unfunded liability. The town set aside \$500,000 last year, and \$250,000 previous year towards that. The plan is to continue to set aside money for long-term liabilities going forward. The town would like to pay down the retirement liability earlier.

Mr. Doherty – Asked what the certified free cash is right now. Mr. Hull responded that the certified free cash balance as of June 30th was \$11.4M. Mr. Morris is in process of getting it recertified.

The town is also using free cash to set aside money in the capital stabilization account. Last year the town added \$1.5M. The five year projections for capital projects need to be addressed. The stabilization funds can be used to supplement the operating budget. Typically, capital is funded in the operation budget in the range of \$2. 3M to \$3M.

A recurring goal is to focus on education and to provide the schools with resources they need. The town is also focused on investing in the facilities so they can be more energy efficient. The town is looking at the vehicle fleet and replacing old vehicles with more fuel efficient vehicles. A consistent goal the last three years has been the investment in technology.

It is difficult to accurately predict new growth each year and what the economy will do.

Ms. Kincaid – Asked if the town uses a specialty firm to review personal property. Ms. Amaral - The town recently started that practice and the Assessor has been working on capturing value that exists but has been missing from the assessing process in the past.

Mr. Morris – Explained debt exclusion and Proposition 2 ½. The high school debt is an exclusion and there is a premium that was also part of that debt. Brief discussion on the debt being for a 25-year term instead of 20 years for the High School loan and the present interest rates.

Mr. Doherty – Asked if the town is planning to borrow for Yentile's this year or next. Borrowing will likely occur this year.

Mr. Morris – The town's debt is very low.

Ms. Manganelli – Asked for an updated schedule of debt before the start of the budget review.

Mr. Hull - Explained that the town cannot fund our way out of OPEB. In addition to putting money aside to offset OPEB liability, the town will be working to make plan design changes in insurance offerings.

Ms. Amaral – Explained that the Insurance Advisory Committee was dissolved this year. It is made up of union representatives and retirees. The new committee has formed so that they now control their committee. They chair it themselves, set agendas, recommendations for rate

increases based on what their trust fund needs to have in order to cover projected claims and have a cushion. Working on having union to union conversations on the different plans, hoping to help employees see a more cost effective plan in the HMO. They are talking about the Cadillac tax and what it means, starting to absorb the information and will be prepared to make recommendations. The town added a MEDX 2 plan, which has lowered costs for the town and retirees.

Mr. Morris – Explained that he monitors revenue and expenditures over the year, including monitoring snow and ice, and police and fire overtime. Health insurance has been stable the last couple of years.

Mr. Hull – The police department has one vacancy on police, and is filling the last vacancy in fire. Explained the turnover experienced in the last few years and the process for filling positions.

Ms. Manganello– Asked if the town brings up the going back to eight hour shifts instead of 24-hour shift in Fire negotiations. Mr. Hull – Noted that is has not been proposed in recent negotiations. It would be a hard and costly change to make. The 24-hour shift has been in effect since early 2000s.

Mr. Morris - Explained the concept of the appropriation deficit and ways to deal with it. Explained the salary adjustment account and that it includes funding for pre-employment evaluations, arbitration hearings, and money for raises. Finance committee transfers (chapter 40, 5A) must be for extraordinary or unforeseen expenses.

Mr. Hull – The town has three union contracts expiring at the end of this year: two police and dispatch.

Mr. Morris – Prior to June 30th a letter is sent out to department heads with rules they have to follow relative to the close out of the year. Bills have to be in, need to justify any requests to carry forward money into the next fiscal year. Any adjustments get posted, reconciled and finalized through him.

Receipts, cash, receivables and debt are reviewed. Mr. Morris reconciles accruals, health expenses incurred but not reported, and any late payments received. The Department of Revenue reviews the financial statements and begins the process of certifying free cash. The financial statements are audited. Reviewed financial statements covered by pages 12 through 31 of 2014 Annual Report.

Mr. Morris – Handed out a letter from 2013 Odyssey Advisors, explaining GASB.

Mr. Doherty – Asked if there are any plans to have water cover some of the unfunded liabilities. Mr. Hull – Responded that a small portion OPEB and the retirees benefits will begin to be charged to water.

Mr. Hull – Noted the current bond rating is AA+ with a chance to go AAA. His sense is that the issue that kept the town from a AAA in this review was OPEB and pension liability. Standard and

Poors noted concern about the ability of the town to continue to set aside large sums of money for these liabilities. The town needs to look at plan design to address issues.

Mr. Nally – Noted that every town and city is in the same predicament. Mr. Hull – Agreed. Wellesley borrowed money to fund their way out, however it didn't work out for them. Brief discussion on difference in other communities funding and lack of funding for OPEB. The town established a policy to direct a minimum amount to the OPEB trust each year. Wilmington decided to use revenue from meal tax as the minimum.

Mr. Hull – The town is also working on developing more informative monthly reports. Ms. Amaral distributed a template. The proposed approach to the monthly reports, would be to include comparative data. The intent is to move to a "Stat" model which dashboards current operations and compares it to the past. It will take a while to fully develop this. Work is underway with the departments to get the template to the next step of draft.

Ms. Manganelli – Requested that the monthly reports include an update on capital expenditures that were approved for the fiscal year. The intention is to include appropriation and spending data as well as "operational" data.

Ms. Manganelli – Asked if the Whitfield is turning into a sports field for the short term. Mr. Hull – Confirmed that and briefly described the lot size, wetlands and additional fields that are being developed at the Whitfield lot.

Mr. Nally – Asked what was left for work with the High School. Mr. Hull – Stated that the Wildwood-side field and Roman House will need work in the spring. They are monitoring the gym floor, having noticed buckling in the wood. With dehumidification the issue has mostly gone away, though it will be monitored going forward. The lift that brings people to top of stadium is nearing completion. New concession building needs some final work. Brief discussion on authorization and funding of the fence at Roman House.

Brief discussion on the town's application for the PARC grant. The town has not heard yet on the results. Ms. Amaral notes that the town is not particularly competitive for this grant due to the focus on economically disadvantaged communities. The grant is for \$400,000 for Yentile Farm project.

Mr. Doherty – Asked if the town is still plowing churches. Ms. Amaral – They are providing insurance certifications. Some are dropping off the list if they cannot or do not want to provide insurance or do not like the timing of the plow work.

Mr. Doherty – Asked if the town is still holding customer service training. Each year a list of trainings is offered and includes Customer Service training.

Other business: None.

Meeting adjourned at 8:40p.m. The next meeting of the Finance Committee is scheduled for Tuesday, February 2, 2016.

Respectfully submitted,

Recording secretary